Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.	A.10-12-005 (Filed December 15, 2010)
Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.	A.10-12-006 (Filed December 15, 2010)

Application: A.10-12-005
Exhibit No.: SDG&E-223/SCG-217

PREPARED REBUTTAL TESTIMONY OF BRUCE A. FOLKMANN ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

OCTOBER 2011

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PREPARED REBUTTAL TESTIMONY OF

BRUCE A. FOLKMANN

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

I. INTRODUCTION

The following rebuttal testimony regarding Corporate Center Administrative & General Expense Allocations addresses multiple interveners' testimony: those dated September 1, 2011 of the Division of Ratepayer Advocates (DRA), Exhibit DRA-26 and Exhibit DRA-50, as well as the Utility Consumers Action Network's (UCAN) testimony of Steven McClary/Laura Norin and David R. Croyle, dated September 22, 2011.

Corporate Center is the shared service organization within Sempra Energy providing centralized services to San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SCG) as well as other non-regulated business units. Sempra Energy's business units all benefit from the consolidated efficiency and effectiveness of Corporate Center; thus, most corporate-level functions and support are also considered applicable for allocation. Sempra Energy develops detailed methods to accurately and fairly allocate costs to its business units, providing economies of scale for those functions that are required of individual public business entities, and for which they would otherwise have to incur expense separately. Any expenses that are not traditionally permitted for ratemaking are excluded from allocation.

Corporate Center forecasts an overall escalated budget in Test Year 2012 (TY2012) of $244.1 million, of which it proposes to allocate $59.6 million to SDG&E and $56.5 million to SCG, or approximately 48% combined. The remaining 52% of costs will be allocated to non-regulated business units or excluded and retained at Sempra Energy.

DRA seeks to reduce the SDG&E allocations to $33.4 million and SCG allocations to $34.8 million, or 28% combined. This is a 41% reduction from Sempra Energy's already-reasonable request. DRA's reductions of $47.9 million can generally be categorized as:

- $20.4 million due to lack of justification, despite hundreds of discovery responses
- $16.2 million of executive and employee benefits it has determined are unrecoverable
- $3.9 million due to "duplicate functions" it assumes are already performed at utilities
- $3.5 million due to revised forecasts based on 2010 data or selective averaging
- $1.6 million of labor overheads as a result of the above adjustments
- $1.3 million due to a revised "multi-factor" allocation formula
- $1.0 million due to revised escalation rates

UCAN also seeks to adjust the multi-factor basic allocation method, using revised criteria as the basis for its calculation.

This rebuttal will address each of the interveners' testimony points except the revised escalation rates, which are supported by a separate witness Scott Wilder (SDG&E Exhibit-238 and SCG Exhibit -231) and which will ultimately be updated later in this proceeding. Also, the recoverability of $16.2 million in executive benefits and employee incentive compensation is rebutted by witness Debbie Robinson (SDG&E Exhibit-225 and SCG Exhibit-219).

DRA's testimony, in particular, includes numerous calculation errors and inconsistencies between their testimony and tables. Rather than dwell on the confusion and inaccuracy this creates, my rebuttal will show that both DRA and UCAN's testimony is overwhelmingly without basis and proffered with an apparent blind eye to the volumes of detailed responses they requested in discovery. My testimony is organized as follows:

- Section II – Multi-Factor Allocation Rebuttal to DRA and UCAN;
- Section III – Corporate Reorganization Rebuttal to UCAN;

- Section IV-X – Corporate Center Divisions Rebuttal to DRA;
- Section XI - Summary and Conclusion; and
- Attachment A - Data Responses

II. MULTI-FACTOR ALLOCATION

<u>Rebuttal to DRA and UCAN:</u>

DRA's auditor (Exhibit DRA-50) has taken issue with components of the Multi-Factor allocation method used by Sempra Energy for many types of corporate and shared costs when a more causal-beneficial allocation method is not possible. Sempra Energy's development of its Multi-Factor is rooted in the Affiliate Transaction Conditions agreed to under Decision 98-03-073 (Attachment B, page 17), which states:

> *"The formula will be based on Affiliate's proportionate share of (1) total assets, (2) operating revenues, (3) operating and Maintenance expenses (excluding the direct Cost of Sales, purchased gas, cost of electric generation for utility operations and income taxes), and (4) number of employees."*

Since its formation, Sempra Energy has calculated annual Multi-Factor rates for its recorded actuals, and forecasted the rates in a consistent manner, for example in the 2004 Cost of Service (D.04-12-015) and 2008 General Rate Case (D.08-07-046). Neither DRA nor UCAN objected in those proceedings to Sempra Energy's Multi-Factor allocation method, which is the same Multi-Factor method Sempra Energy is using in this proceeding.

Sempra Energy calculates the Multi-Factor components using its audited financial statements, prepared under U.S. Generally Accepted Accounting Principles (GAAP) and certain additional information. This approach helps to consistently reflect the operational levels of Sempra Energy's respective businesses. Contrary to their previous approval of this approach, DRA and UCAN now believe certain aspects of the calculation serve only to weight the factor more heavily toward SDG&E and SCG. DRA and UCAN propose to alter the basis of Sempra Energy's calculation for items A, B and C discussed below. In addition, UCAN proposes to modify the basis of the allocation as described in D below.

The change in ratios for 2012 proposed by DRA would reduce SDG&E's allocations by $751,000, and SCG's allocations by $525,000, for the remaining costs not otherwise disallowed in DRA's report. UCAN's testimony estimated reductions of $6.7 million to SDG&E (6.3%) and $600,000 to SCG (0.7%.). UCAN extrapolated the dollar impact based on the DRA testimony and include DRA's recommended changes to the multi-factor. However, we discovered a number of calculation errors in UCAN's analysis. First, they cited a DRA exhibit (DRA 50, p. 50-12) as the basis for their formula, saying, "DRA estimated that its revision to the multi-factor allocation method, which would decrease the allocation to SDG&E by 1.75 percentage points and to SoCalGas by 1.19 percentage points, would decrease the allocation to SDG&E by $1.8 million and to SoCalGas by $1.0 million." Using that data, they determined the appropriate reduction per percentage point change in the multi-factor. However, the actual reductions stated in that exhibit are $1.1 million to SDG&E and $833,000 to SCG, so UCAN's base calculation is dramatically overstated. Secondly, it is not clear how UCAN derived their reduction of 6.3% to SDG&E and 0.67% to SCG. Sempra Energy's calculations (using UCAN's proposed adjustments) result in much lower reductions, particularly for SDG&E.

A. Revenue from DWR Sales

<u>Rebuttal to DRA:</u>

DRA would exclude from SDG&E's operating revenues customer billings on behalf of Department of Water Resources (DWR) contracts[1]. The DWR sales collected by SDG&E originated 10 years ago when the state of California selected DWR as the agency that would

[1] Exhibit DRA-50, Report on the Results of Examination.

procure long-term power contracts to help ensure a stable, fixed-rate supply of electricity was available to California ratepayers. All California utilities take part in distributing electricity that was partly sourced from these contracts. Customer bills contain separate line items for the DWR share, but SDG&E merely passes the billings on as a receivable and remits them concurrently to DWR as a payable, with no reflection in the Income Statement. SDG&E also distributes electricity that it purchases through its own power supply agreements, and those are the billings that are reported as Gross Revenue, after balancing per Financial Accounting Standards 71 (FAS 71). Sempra Energy includes DWR billings in the Multi-Factor calculation as it still represents actual revenue-related collections effort at SDG&E, just as if such deliveries were sourced from SDG&E's own balanced power purchases. As the DWR contracts conclude after 2013, SDG&E will be required to procure and provide this "replacement" energy to customers. As such, including DWR billings in the Multi-Factor is appropriate.

<u>Rebuttal to UCAN:</u>

UCAN also seeks to exclude from SDG&E's operating revenues customer billings on behalf of DWR contracts[2]. UCAN notes that these amounts should be excluded based on the fact that the contract concludes in 2013 and the general expectation that DWR will issue some level of credits back to customers. Sempra Energy supports its inclusion of the revenue in response to data request UCAN-SDG&E-DR-24 Q18, attached, (which was also directly cited in UCAN's testimony) when we stated the following:

> *Sempra includes DWR revenue in the Multifactor calculation, and has done so consistently since the contract inception, including the forecast used in the 2008 GRC, as it still represents actual revenue-related distribution effort at*

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[2] Exhibit UCAN-3, Testimony of Steven McClary and Laura Norin.

SDG&E, just as if such deliveries were sourced from balanced power purchases.

UCAN's position is based narrowly on the termination of the DWR contracts, and blithely ignores the fact that although the DWR contracts are due to expire, the demand for the power supplied by DWR will continue. That is, SDG&E will be required to procure additional power sufficient to meet that demand, and will reflect those sales as revenue. In addition, although UCAN suggests amounts will be credited back to SDG&E's customers, it acknowledges the amounts cannot be estimated at this time. In any event, the revenue requirement in 2012 will include power purchases previously provided by DWR, thus its inclusion is valid and necessary for a reasonable 2012 forecast.

B. Asset Value of San Onofre Nuclear Generating Station (SONGS) 2&3

Rebuttal to DRA:

DRA would exclude from SDG&E's assets its ownership of SONGS.[3] A portion of SONGS has been recovered in prior years through the Transition Cost Balancing Account. For Federal Energy Regulatory Commission (FERC) reporting purposes, this portion of SONGS is required to be included on SDG&E's books, although it is no longer included in SDG&E's U.S. GAAP reporting. SONGS remains a component of SDG&E's generation portfolio, and therefore it is reasonable and appropriate to reflect its value like other assets in the Multi-Factor calculation.

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[3] Exhibit DRA-50 Report on the Results of Examination.

Rebuttal to UCAN:

UCAN has recommended that the "net asset value" instead of the gross asset value be used for SONGS based on the fact that it is a 20% investment in the total asset.[4] UCAN believes this should be accomplished by using the Equity Method of accounting. The basis for their argument is that SDG&E's ownership interest in the asset is 20%, which according to Sempra Energy's 2010 Annual Report would indicate that the Equity Method should be applied. UCAN does not appear to understand that the Equity Method of accounting may only be applied when equity, such as common stock, is owned. Ownership of an equity instrument is distinguished from undivided ownership of the plant and assets. In the case of SONGS, SDG&E holds an undivided 20% minority interest. Each owner is responsible for financing its share of the project and SDG&E as a minority owner has indirect control over operations and maintenance costs and capital costs through an annual budget approval process presented to the minority owners by SCE as the SONGS Operating Agent. These financing and right-of-budget approvals are incidental to holding an undivided ownership interest in SONGS, and extend well beyond the rights and obligations incidental to a typical Equity Method investment. In addition, SONGS is the sole nuclear generation asset within the Sempra Energy companies, with SDG&E responsible for its share of SONGS in other ways atypical of Equity Method investments. For example, SDG&E is directly responsible for funding its share of estimated SONGS decommissioning costs, and currently maintains a $769 million decommissioning trust for that purpose. The Equity Method is not applicable in this case because SDG&E does not own stock in SONGS, but rather owns an actual interest in the physical assets themselves and therefore takes its proportionate share of risk. This was explained in response to data request UCAN-SDG&E-DR-68 Q15-16 (attached), which was ignored by UCAN.

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[4] UCAN Testimony of McClary and Norin (UCAN-3).

UCAN states that the manner of ownership (outright or stock ownership) is a “distinction without a difference”, calling for all of Sempra Energy’s minority stakes to be treated the same (Equity Method). UCAN ignores the fact that the Equity Method is an accounting method that does not permit SONGS to be treated in this fashion. More importantly, there are substantial substantive reasons for Sempra Energy’s treatment of SONGS in the multi-factor calculation, as stated above. Accordingly, Sempra Energy‘s methodology of including SONGS revenue, expenses and assets in the Multi-Factor is appropriate and reasonable.

C. Gross Plant Assets vs. Net

Rebuttal to DRA

For all assets, DRA takes issue with the use of Gross Plant as a measure of Total Assets. DRA suggests that Sempra Energy should use only “net” asset values (Gross Plant less accumulated depreciation) as a basis for the Multi-Factor[5]. We do not believe that using Net Assets is a better driver than Gross Assets. The factors used in the calculation are meant to provide a relative measurement of the size of each Sempra Energy business unit, so the volume of sales and expense, assets in service, and employees are considered to reflect an overall level of activity. The Net Asset value of depreciable assets, particularly those that are more fully depreciated, is irrelevant to the use of an asset in operations. Sempra Energy believes that the originally capitalized amount for its Gross Plant is a better representation of assets in service than Net Assets, which vary depending on an asset’s useful life and age. Sempra Energy regularly retires plant and equipment assets that are no longer useful, so that their values are not included in Gross Plant Assets. Accordingly, Sempra Energy disagrees with DRA’s definition of Assets for purposes of the Multi-Factor.

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[5] Exhibit DRA-50 Report on the Results of Examination.

D. Use of Regression Methodology to Forecast the Multi-Factor.

Rebuttal to UCAN

UCAN rejects the use of regression analysis (or trending) in forecasting the Multi-Factor allocation method based on the inclusion of the 2008 sale of the Sempra Energy's Commodities business[6]. Specifically, UCAN takes issue with it because it "implicitly assumes that similar divestitures will continue into the future," therefore overstating the utilities' allocations. Sempra Energy objects to this one-sided logic, which ignores the fact that, for example, growth at SDG&E or SCG could have the same effect as sales of Sempra Energy's other businesses. Sempra Energy expressed this in SDG&E's response to data request UCAN-SDG&E-DR-24 Q16 (attached), which states:

> *Sempra's business operations during any five year period could potentially include acquisitions, divestitures, growth, price changes, reorganizations, etc. at any utility or unregulated business unit. Any of these changes may have a sudden or more gradual impact, but they are reflected objectively in published year-end financial statements and headcounts.*

Thus, Sempra Energy's calculations are not implicitly or otherwise assuming that divestitures will continue into the future. Rather, the calculation is objectively based on inclusion of regular business events[7] occurring over the required forecasting period, which in this GRC (according to the GRC Rate Plan) runs from 2005-2009. Consistent use of this objective approach over multiple GRCs will capture the overall impact of various business events over time, ensuring that any particular GRC forecast is reasonable. UCAN's ad hoc approach of either excluding or

[6] UCAN Testimony of McClary and Norin (UCAN-3).

[7] Divestures, like the sale of the Commodities division, should be considered a regular type of business event for an energy company, including one with multiple business units like Sempra Energy.

including a business event based on its immediate impact to allocations (i.e., whether it increases the allocation to the utility business in any particular GRC) is unreasonable and biased.

This bias was further reflected in UCAN's request that Sempra Energy provide a recalculated regression analysis assuming the Commodities business had not been sold. In response to data request UCAN-SDG&E-DR 40 Q2 (attached), Sempra Energy addressed that the calculation was not only unavailable but also irrelevant. Sempra Energy remains puzzled as to why UCAN would expect us to run "what-if" scenarios based on data that is hypothetical and factually incorrect. In addition, UCAN ignores certain realities of its request. For example, in its request to have the Commodities data removed from the calculation as a one-time event, UCAN fails to consider that should Commodities be removed from all the historical calculations, the result would be substantially higher allocations to the utilities. Moreover, even while requesting that Sempra Energy *exclude* the Commodities divestiture, UCAN has suggested that Sempra Energy *include* investments made in Sempra Energy's Global businesses subsequent to the GRC filing in 2011. Such an update is not permitted under the GRC Rate Case Plan.

To resolve these issues, UCAN proposes to ignore the trend and use instead the actual 2011 Multi-Factor percentages (based on 2010 recorded data) as the basis for the 2012 forecast. Sempra Energy's use of regression analysis for forecasting has gone undisputed by UCAN in previous rate cases, so Sempra Energy believes UCAN now objects to its use in this rate case simply because it results in higher percentage allocations to the utilities. Sempra Energy believes the trended percentages are appropriate given the expectation of proportionally higher growth at the utilities, particularly at SDG&E, which was discussed in response to data request UCAN-SDG&E-DR-40 Q25 (attached) showing that 73% of Sempra Energy's total capital spending is anticipated to be at SDG&E and SCG.

UCAN further uses Sempra Energy's 2010 recorded data to show that the 2011 actual allocation rate of 20% to Global subsidiaries "missed the mark" and did not actually drop to 19% for 2011 as the regression analysis had forecast (workpaper BAF-WP-532). Even if the difference were more material, this allocation comparison is irrelevant. The rates paid by utility customers are set by the GRC, so the correct comparison would be the utilities' share of Multi-Factor forecasted in the 2004 and 2008 rate proceedings versus the actual rates throughout those years. As shown below, from 2004-2011, Sempra Energy's variance in forecasting Multi-Factor rates benefitted ratepayers in 7 of those 8 years:

Forecast Multi-Factor	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
	2004 GRC Rates				*2008 GRC Rates*			
SDG&E	28.8%	28.8%	28.8%	28.8%	35.3%	35.3%	35.3%	35.3%
SoCalGas	43.4%	43.4%	43.4%	43.4%	40.1%	40.1%	40.1%	40.1%
Total Utility	**72.2%**	**72.2%**	**72.2%**	**72.2%**	**75.4%**	**75.4%**	**75.4%**	**75.4%**
Actual Multi-Factor								
SDG&E	35.3%	33.5%	31.9%	34.3%	33.8%	36.5%	38.9%	38.3%
SoCalGas	44.5%	43.1%	41.2%	40.1%	39.7%	42.1%	41.1%	41.7%
Total Utility	**79.8%**	**76.7%**	**73.1%**	**74.4%**	**73.4%**	**78.6%**	**80.0%**	**80.0%**
Variance								
SDG&E	6.6%	4.8%	3.1%	5.5%	-1.5%	1.2%	3.6%	3.0%
SoCalGas	1.1%	-0.2%	-2.2%	-3.3%	-0.4%	2.0%	1.0%	1.6%
Total Utility	**7.7%**	**4.5%**	**0.9%**	**2.2%**	**-2.0%**	**3.2%**	**4.6%**	**4.6%**

In sum, Sempra Energy's Multi-Factor forecast for 2012 is consistent with prior rate cases, and despite the potential for variances, the methodology is reasonable and should continue to be applied in future years.

As a final matter, UCAN has requested that "Sempra should provide a variable for the multi-factor allocation as a user-option in its results of operation model such that any proposed changes to the multi-factor calculation flow through appropriately to all cost allocations that rely on this factor." The allocations for Corporate Center shared services are performed separately in a system that uses more complex database technology, and the multi-factor and other allocation templates are not extricable from the system. Like the escalation factors, agreed-upon changes to the multi-factor rates can be processed in an update filing, with higher-level estimations available otherwise. Refer to the testimony of Deborah Hiramoto (SDG&E Exhibit-245 and SCG Exhibit-238) for further discussion of Sempra Energy's exclusion of this functionality in the results of operation (RO) model.

III. 2010 CORPORATE REORGANIZATION

UCAN takes issue (in the form of testimony of Michael Shames and David Croyle) with the timing of the 2010 corporate reorganization that occurred between certain corporate center functions and the utilities, asserting that 1) the inefficiencies at the Corporate Center were widely known much earlier than 2010, 2) the timing was strategic and done intentionally to obscure the forecast for this rate case, and 3) zero-based forecasting is impossible because of a lack of history[8]. These matters are addressed below.

A. Management of Shared Services

While Sempra Energy appreciates Mr. Croyle's experience with alleged inefficiencies resulting from the 2002 reorganization, which centralized many functions, his testimony is substantially comprised of his subjective opinions about what should or should not have happened. For example, Croyle asserts in his testimony that by 2006, inadequacies were generally known and should have been addressed at that time instead of waiting until 2010[9]. However, Croyle was neither a member of the senior management team at that time, nor involved in senior management decision-making. And Croyle's attempts to summarize what management knew or thought at that time is disingenuous hearsay. Since Croyle's testimony is

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[8] UCAN Testimony of David Croyle (UCAN-11).
[9] UCAN Testimony of David Croyle (UCAN-11), p. 6.

based on the limited experience of a single former employee, it should be disregarded for purposes of this GRC.

B. Reorganization Timing

UCAN asserts that the inefficiencies were known by management by 2006 and yet no changes were made until 2010[10]. UCAN suggests the objective was to obscure historical data, which prevents UCAN from determining the validity of the forecast. Sempra Energy objects to the notion that the reorganization was somehow timed specifically to convolute forecasts. Indeed, Sempra Energy provided reconciliations in my testimony (table on BAF-11) and in response to numerous data requests, to show the effect of the reorganization. Accordingly, UCAN's false allegation should be viewed as nothing more than a specious attempt to undermine Sempra Energy's credibility.

C. Zero-Based Forecasting

UCAN has asserted that zero-based forecasting is not possible because of the 2010 reorganization which created a lack of historical data[11]. Sempra Energy notes that the reorganization budgetary impacts were collaboratively determined by utility and corporate cost center managers and budget planners. UCAN also asserts that only the incremental costs were assessed using a zero-based approach[12], however, the transferred services budgets were also derived by utilizing a zero-based approach, similar to other Corporate Center budgets. Thus, the final budgets post-reorganization were an appropriate representation for all costs, not just incremental costs.

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[10] UCAN Testimony of David Croyle (UCAN-11), p. 6.
[11] UCAN Testimony of David Croyle (UCAN-11), p. 7-9.
[12] UCAN Testimony of David Croyle (UCAN-11), p. 8.

Finally, UCAN asserts that costs since 2002 must have been excessive based on the following quote from Mike Niggli[13]:

> *In total, SDG&E, SoCalGas and corporate center were able to complete this reorganization with a net decrease in costs.*

UCAN incorrectly assumes that Mr. Niggli's comments suggest excessive historical costs. In addition, Mr. Niggli's comments do not apply to overall expenses as presented in this GRC. The statement was simply meant to illustrate that the 2010 reorganization alone did not create higher expenses for SDG&E, SCG or the corporate center. A table was provided in my direct testimony (SDG&E Exhibit-23 and SCG Exhibit-17) on page BAF-11 showing the savings that were achieved by the reorganization. In addition, an explanation of this quote by Mr. Niggli was specifically provided to UCAN in response to data request UCAN-SDG&E-DR-31 Q3 (attached).

In sum, UCAN's allegation that the reorganization was undertaken to obscure historical costs is completely without merit.

IV. FINANCE

Sempra Energy's finance division forecasts an overall escalated budget in 2012 of $60.1 million, of which it proposes to allocate $13.2 million to SDG&E and $14.4 million to SCG. DRA seeks to reduce the SDG&E allocations to $9.6 million and SCG allocations to $10.2 million, a 28% reduction. DRA recommends that Sempra Energy's request of $60.1 million (labor and non-labor combined) be reduced by $7.775 million. DRA based the majority of its recommendation on trend data, changes to the assumptions used in the multi-factor, escalation rate change recommendations, and supposed duplication of duties, which will be addressed per each cost center below.

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[13] UCAN Testimony of David Croyle (UCAN-11), p. 8.

A. Chief Financial Officer (CFO) – Cost Center 1100-0039

DRA proposes that there is a duplication between the Corporate Center CFO and the CFO at SCG, and recommends a reduction of $277,000 (the entirety of SCG's allocation) from the forecast[14]. DRA has confused the issue. In fact, it is SDG&E that has a CFO, and SCG does not. Regardless, DRA's claim that this and other finance division functions are duplicative illustrates a lack of understanding of the Corporate Center finance division responsibilities. Indeed, in many cases, DRA's familiarity with the roles of the various departments appears to be limited to the department name or employee title, despite testimony from Corporate Center and the utilities that provided specific descriptions.

There is a distinct difference between the accounting and finance functions at the Utilities and the accounting and finance functions at Corporate Center. Generally, the Corporate Center functions are responsible for raising and managing capital and maintaining the financial integrity of the company as a whole. They set financial and accounting policy, develop and publish Securities Exchange Commission (SEC) reports, ensure consolidated financials comply with GAAP and SEC rules, and prepare consolidated long and short term plans for Sempra Energy's Board of Directors, rating agencies, and market analysts. None of these work activities are performed at SDG&E or SCG, and all of these activities are standard or required of publicly held companies. Given that these functions are not duplicative, the CFO oversight responsibility is also not duplicative. Furthermore, the CFO has responsibility for the Treasury, Audit Services and Tax Services functions, which are located only at the Corporate Center and provide essential Utility services. The Corporate Center CFO performs all of these key financial leadership functions. Thus, Sempra Energy's forecast for this cost center is reasonable and will allow for

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[14] Exhibit DRA-26, page 12.

adequate funding, and the Commission should approve Sempra Energy's TY forecast of $972,000 or $279,000 to SDG&E and $277,000 to SCG for the Corporate Center CFO.

B. ACCOUNTING SERVICES

For accounting functions, Sempra Energy proposes to allocate $4.6 million to SDG&E and $4.6 million to SCG. DRA seeks to reduce the SDG&E allocations to $3.4 million and SCG allocations to $3.4 million, a 25% reduction, for the following issues:

1. SVP/Controller and Asst. Controller - Cost Centers 1100-0338 and 1100-0054

DRA proposes that there is a duplication of the Corporate Center SVP/Controller and Asst. Controller with the utilities' VP/Controller, and would disallow all of Corporate Center's utility allocations-- $324,000 to SDG&E and $317,000 to SCG[15]. Again, DRA presumes that similar titles imply a duplication of responsibilities. The respective Controllers oversee completely independent functions at their respective organizations, separate accounting, reporting and planning groups, all of which contribute to different business requirements. For example, while the Utilities' Controller may oversee utility financial reports filed with the CPUC and FERC, the Corporate Controller is solely responsible for filing consolidated reports with the SEC, including preparing all of the financial disclosures for the Utilities and other business units. Furthermore, the Utilities' Controller has no responsibility for accounting research and for managing the relationship and costs of Sempra Energy's external auditors. These functions are not duplicated; they are located only at the Corporate Center and are essential Utility services. Therefore, the allocated costs represent a necessary and reasonable expense to the Utilities, and the Commission should reject DRA's recommendations and adopt Sempra Energy's TY2012 request of $776,000 for cost center 1100-0338 and $274,000 for cost center 1100-0054.

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[15] Exhibit DRA-26, page 13.

2. Corporate Acctg Special Projects - Cost Center 1100-0012

DRA recommends that all $261,000 of the utility allocations for this cost center be disallowed on the basis that Sempra Energy has not sufficiently described and supported how this function relates to the Utilities[16]. In fact, this was thoroughly addressed in response to DRA-SDG&E-001 Q15 and Q16 (attached). This cost center was created to absorb the responsibilities of the former director of Corporate Financial Accounting (cost center 1100-0345) after the 2010 reorganization. Although the cost center addresses certain special projects, it is largely the Director of Corporate Accounting and a staff member who oversee accounting functions for the Corporate Center, including all its shared services functions and billings. As such, the costs associated with Corporate Accounting should be allocated as well. The Commission should ignore DRA's recommended disallowance, and Sempra Energy's TY 2012 forecast of $317,000 should be adopted.

3. Accounting Research - Cost Center 1100-0347

DRA proposes a reduction of $88,000 from utility allocations, preferring to use 2010 recorded data as the basis for their forecast. Sempra Energy proposes $425,000. DRA states that over the last three years, the cost center has trended lower and cites a Commission decision indicating the most recent year 2010 should be used[17]. In this instance, Sempra Energy does not support the use of 2010 data, as the costs for this group were unusually low in 2010 due to an extended absence by a senior employee. This is not an accurate basis for a TY2012 forecast; therefore, DRA's adjustment is not reasonable. Sempra Energy's forecast is more accurate and should be adopted.

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[16] Exhibit DRA-26, page 13.
[17] Exhibit DRA-26, page 14.

4. Financial Reporting Director - Cost Center 1100-0047

DRA proposes a reduction of $39,000 from utility allocations, again utilizing 2010 recorded costs as a new basis. DRA's only rationale for this is a "non-labor review." Sempra Energy does not support the use of 2010 data in this case; DRA ignored relevant information provided to them during the course of discovery in DRA-SDG&E-001, Q24 (attached), where it was explained that this cost center included costs for a software implementation in 2009 which covered licenses and maintenance through 2010. Sempra Energy's 2012 forecast of $311,000 ($129,000 to each utility) includes the incremental software licenses and maintenance costs related to that implementation, so rolling it back to the 2010 level is insufficient. Thus, the Commission should reject DRA's proposed adjustments for this cost center.

5. Financial Reporting - Cost Center 1100-0048

DRA recommends reducing utility allocations by $28,000, again to match 2010 recorded costs. DRA testimony states that over the last three years, non-labor has trended lower and therefore, the 2010 data should be used for forecasting.[18] This is not logical, since for the past three years, *total* costs in this area have in fact trended higher, as staffing costs reduced the need for temporary staffing recorded as non-labor. Thus, the assumption used by DRA is incorrect, their use of 2010 data cannot be supported, and their adjustment should be dismissed. Sempra Energy's TY 2012 forecast of $926,000 is more accurate and should be adopted.

6. Financial Reporting D&T Fees - Cost Center 1100-0219

DRA is recommending a reduction from utility allocations of $900,000, stating costs have trended lower over the last three years; therefore, the 2010 data should be used for forecasting[19]. First, DRA's observation is incorrect, as 2010 recorded costs were higher than

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[18] Exhibit DRA-26, page 15.
[19] Exhibit DRA-26, page 15.

2009, and there is no apparent trend. Not only does it not make sense to use 2010 data to update the forecast, there is no recognition by DRA that external audit fees will increase as a function of capital growth, not just for escalation. This was explained further in data requests DRA-SDG&E-019, Q12 (attached), but has apparently been overlooked by DRA. Much of the utilities' major capital projects are yet to be completed as of 2010, so it does not provide for a representative year for the TY2012 forecast and beyond. Accordingly, Sempra Energy's TY2012 forecast of $6,998,000 is valid, reasonable and should be adopted.

C. TAX SERVICES

The Tax Services group is comprised of six separate cost centers which tend to function as a single cooperative team, sharing staff and resources as needed over the course of tax filing cycles, audits and projects. For this reason, the group uses a single average allocation method, which is based on a time study of the entire staff.

Also for this reason, there can be year-to-year variations in expenditures between these six cost centers and budgets within the larger group, so Sempra Energy's internal management reports always focus on Tax Services as a whole. While this has been emphasized to DRA, they continue to base their analysis on individual cost centers, proposing reductions even though Tax Services' requested TY2012 allocations to the utilities are lower than 2009 recorded costs. As part of the reconciliation between 2009 and the 2012 forecast, the following data summarizing the net impact of staff transfers within Tax Services was provided to DRA in a data response to DRA-SDG&E-019-DFB-Question 14:

a) Impact of staff transfers within Tax Services; no overall increase in FTE's.

		Total	
A-3.1	1100-0046-VP OF CORPORATE TAX	$ 40	BAF-WP-75
A-3.2	1100-0045-CORPORATE TAX ACCTG & SYSTEMS	(466)	BAF-WP-78
A-3.3	1100-0373-DOMESTIC TAX COMPLIANCE	308	BAF-WP-81
A-3.4	1100-0374-INTL TAX	199	BAF-WP-84
A-3.5	1100-0376-TRANSACTIONAL TAX	57	BAF-WP-86
A-3.6	1100-0399-TAX LAW GROUP	(199)	BAF-WP-90
Total		**$ (60)**	

b) Non-recurring direct charged Consulting and Labor costs in 2009.

		Total	
A-3.4	1100-0374-INTL TAX	$ (213)	BAF-WP-84
A-3.5	1100-0376-TRANSACTIONAL TAX	(19)	BAF-WP-86
A-3.6	1100-0399-TAX LAW GROUP	(85)	BAF-WP-90
Total		**$ (318)**	

Despite the relatively flat impact of staff reorganizations among the Tax Services cost centers, DRA ignored this information and continues to pursue reductions for individual cost centers.

1. VP of Corporate Tax (1100-0046)

DRA proposes to reduce $249,000 in utility allocations, maintaining that the increase in this cost center is incremental[20], and ignoring the evidence that shows costs transferring from other Tax cost centers. In workpapers (pages BAF-WP-72 through BAF-WP-91) as well as data requests DRA-SDG&E-001, Q30 & 32 (attached), Sempra Energy explained the reorganization of the Tax Services department and the movement of FTE's within it. The department as a whole did not increase FTEs, and any fluctuations caused in individual cost centers were offset within the department, as shown above. The offsetting amounts were again provided in data responses DRA-SDG&E-019, Q14 (attached), where Sempra Energy showed that across the Tax department, labor expense was flat.

[20] Exhibit DRA-26, page 18.

Moreover, even if the $40,000 increase for this cost center was incremental, DRA incorrectly inflated its adjustment, calculating costs of $621,000 based on an average dollar cost per Full Time Equivalent (FTE), which is inaccurate given that the cost center labor is mostly comprised of the Vice President (VP). A VP is compensated at a higher amount and such compensation is not a suitable base for average employee salaries. DRA used the same faulty logic for non-labor, assuming all non-labor costs are variable to employees. In fact, the bulk of the VP's non-labor costs are not employee-related, so it makes no sense to reduce them based on DRA's erroneous assumption. Thus, Sempra's TY 2012 forecast of $885,000 is accurate, reasonable and should be adopted.

2. Domestic Tax Compliance (1100-0373)

DRA proposes a reduction of $198,000 from utility allocations for this cost center[21]. Instead of acknowledging the cost center variations and reorganizations described above, DRA proposes a four-year average basis, citing a Commission procedure used in instances when costs have fluctuated. Even if Sempra Energy agreed that averaging was appropriate, we note that a three-year average for the Tax Services department overall would result in a basis of $2.611 million, higher even than Sempra Energy's escalated 2012 request of $2.567 million. DRA appears to have selected averaging formulas and cost centers that suit its predisposition in favor of reductions, rather than accepting Sempra Energy's objective and reasonable forecast.

3. International Tax (1100-0374)

DRA proposes a disallowance of the entire $693,000 allocation to the utilities[22], apparently based solely on the cost center name. Again, there appears to be no comprehension of the average allocation methodology explained above, despite ample support provided via data

[21] Exhibit DRA-26, page 18.
[22] Exhibit DRA-26, page 19.

responses DRA-SDG&E-019, Q22, and AUDITOR-DR-017, Q2 (attached), prepared direct testimony (SDG&E Exhibit -23 and SCG Exhibit-17, at page BAF-19) and workpapers (BAF-WP-536).

For allocation purposes, the department's *overall* effort is averaged, and each cost center uses the same average allocation rates. For example, this cost center performs work primarily on international matters, and its TY 2012 allocation to the utilities is 40%. Other tax cost centers work primarily on utility matters, and their TY2012 allocation to the utilities is also only 40%. It should be recognized that the allocation from Tax Services to the utilities is designed to be reasonable when viewed from a whole department perspective. In light of the overall impact of Sempra Energy's methodology, the allocation for this cost center is reasonable and appropriate. Thus, the Commission should adopt Sempra Energy's TY2012 request of $1.849 million.

4. Tax Law Group (1100-0399)

DRA is seeking a reduction of $43,000 from the proposed utility allocations for this cost center[23]. Instead of acknowledging the cost center variations and reorganizations mentioned above, again DRA cites a Commission procedure to use in instances when costs have fluctuated. However, contrary to DRA's treatment of Domestic Tax Compliance, where it used a four-year average, DRA instead proposes a two-year average for the Tax Law Group. This is a transparent effort to pick an average resulting in the lowest utility allocation, without any foundation in fact or consideration of consistency. Moreover, when viewed as a whole department, the average costs for Tax Services are relative flat, and there is no overall incremental request for 2012 for the utilities. Thus, the Commission should reject DRA's proposed adjustments for the tax department in its entirety and adopt the forecast for this cost center of $1.18 million.

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[23] Exhibit DRA-26, page 20.

D. Corporate Cash Management (1100-0224)

For short-term credit and bank fees, Sempra proposes a total budget of $19.626 million, of which $2.308 million is for SDG&E and $3.258 million is for SCG. DRA proposes to reduce the TY 2012 forecast allocations by $669,000 to SDG&E and $946,000 to SCG[24]. DRA bases these significant adjustments on a simple average of historical recorded costs, rather than consideration of the financial market conditions that actually apply. The prior year costs are no longer comparable and should not be used for averaging. This cost center records all business unit bank fees, for both operational accounts, and short-term lines of credit. Sempra Energy renewed its short-term lines of credit in 2010, which it does every 2-3 years, so the forecast in the GRC Application includes the most recent rates -- reflecting today's more restrictive financial environment compared to the last line of credit renewal in 2008. This information was described to DRA in multiple data responses and provided in detail in Sempra Energy's response to data request DRA-SDG&E-019 Q31 (attached), which stated:

> *The forecast direct assignments, as shown in workpaper BAF-WP-107, includes the estimated service charges for each utility's operational bank accounts, plus the upfront and annual fees for the utilities' $800 million line of credit (LOC), which is shared by SDG&E and SoCal Gas. Fees are current market-rate basis points (bps) on the amount of the line. Since the LOC is expected to renew every third year, the upfront and arrangement fees, which are only paid in the renewal year, are "smoothed" to include an average amount in each year for 2010-2012.*

Bank service charges were estimated based on each utility's historical actuals, which can vary annually depending on volume and average cash balances. The renewal in 2010 has been averaged forward for 2011 and 2012. DRA received Sempra Energy's detailed workpapers itemizing all costs and averaging adjustments, so their reduction for this cost center is without justification. Thus, the commission should reject DRA's proposed adjustments and adopt

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[24] Exhibit DRA-26, page 21.

Sempra Energy's forecast of $19.626 million based on Sempra's fact based approach to forecasting.

E. Investor Relations

1. VP Investor Relations (Cost Center 1100-0375)

DRA proposes to reduce $130,000 from utility allocations for this cost center, disallowing $157,000 of incremental costs based on alleged insufficient justification for a new FTE[25]. Sempra Energy proposed a total forecast of $544,000 with $226,000 allocated to each utility. The increase, however, is not entirely related to the new single FTE, a clearly incorrect assumption by DRA, even though workpapers provide detail that the primary driver was the replacement of an outgoing VP with a more senior officer. The additional FTE is an administrative assistant, who was previously shared and thus charged only half to this cost center. The incremental cost of one-half of an administrative salary is certainly lower than the $157,000. The rest should be considered base costs. In fact, if DRA would refer to 2010 recorded data in this case, they should recognize that 2010 recorded costs of $523,000, are already much higher than Sempra Energy's total forecast for the cost center. Based on this, Sempra Energy's forecast is reasonable and valid and should be adopted.

2. Investor Relations/Shareholder Services (1100-0042)

Throughout its report on Corporate Center, DRA adds adjustments to utility allocations as a result of the Multi-Factor change discussed in section II[26]. Sempra Energy disagrees with the changes in general and is not commenting on individual cost center adjustments in this rebuttal. However, in some cost centers, not all costs are subject to the allocation method (i.e., some were directly charged), and so not all costs would be impacted by the Multi-Factor change.

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[25] Exhibit DRA-26, page 23.
[26] Exhibit DRA-26.

Therefore, DRA's proposed methodology is incorrect, as they have applied the multi-factor changes to the entire cost center, regardless of direct charges. It appears that DRA is not aware of this, and therefore their calculations are skewed due to the inclusion of direct-charges. In cost center 1100-0042, the computation has generated a material error of over $260,000 that is unrelated to the Multi-Factor calculation. DRA's overall reduction based on their faulty multi-factor assumptions is not valid for this cost center, therefore Sempra Energy's total TY2012 forecast of $1.866 million should be adopted.

F. Corporate Planning/Financial Systems (1100-0342)

DRA proposes a $43,000 reduction from utility allocations because this cost center has "fluctuated slightly" in historical non-labor costs[27]. DRA recommends using 2010 recorded data as their basis. However, they are ignoring the fact that this department incurs cyclical costs for software maintenance and periodic upgrades for Sempra Energy's financial systems. Non-labor does fluctuate year to year, but Sempra Energy's forecast has already considered this and represents a five year average of upgrade expenses. DRA has incorrectly proposed its adjustment without this consideration. Furthermore, DRA has made a mathematical calculation error in their adjustment for the Multi-Factor, similar to the one described in Investor Relations, above. Based on the direct-charges in this cost center, DRA's recommended reduction should be rejected and Sempra Energy's forecast of $704,000 or $193,000 to each utility should be adopted.

G. VP Risk Analysis & Mgmt (1100-0010)

Sempra Energy proposes an escalated forecast of $813,000 or $203,000 to each utility. DRA proposes to disallow all of the utility allocation for this function, based on the assertion that

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[27] Exhibit DRA-26, page 25.

Sempra Energy has not justified the expense in its testimony[28]. Sempra Energy provided multiple explanations as to the function of this department in response to data requests. Sempra Energy's responses to DRA-SDG&E-034 Q2, DRA-SDG&E-019 Q4, and DRA-SDG&E-001 Q9 (attached) each address the function that this cost center serves. The new department arose from increased lawsuits and litigation that resulted from the wildfires in 2007. The considerable increase in lawsuits required an increase in financial risk analysis resources, and prior to the creation of this cost center, this analysis was being performed by outside counsel or consultants. By 2012, it is expected that this workload will be shifted to include analysis of other financial, operational, and economic areas of risk throughout the company. The VP-Risk Analysis also provides executive-level oversight and direction to the Insurance Management and Energy Risk Management groups. Based on these facts, the Commission should adopt Sempra Energy's TY 2012 forecast in the amount of $813,000.

H. Financial Leadership Program (1100-0340)

Sempra Energy requests an escalated 2012 forecast of $1.488 million. DRA recommends that the ratepayers not fund both the Corporate Center and the Utilities' Rotation and Internship Programs and would disallow the Corporate allocations of $618,000 each to SDG&E and SCG[29]. These programs are not functions by themselves, but serve as cost effective recruiting vehicles and organized training programs for entry-level financial staff who eventually fill positions in other cost centers, at the Utilities, Global and Corporate Center. While the Corporate program may place rotation staff and interns on assignments at the Corporate Center or Global, the Utilities created specific programs to comply with affiliate rules addressing joint recruiting. Thus, although the two programs have essentially the same goals, they are divided to meet

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[28] Exhibit DRA-26, page 26.
[29] Exhibit DRA-26, page 28.

affiliate transaction rules. Without this separation, the combined programs would still lead to the same cost, since the recruitment needs across the organization have not changed. Accordingly, DRA's assumption of duplicative functions is without basis, and their proposed disallowance of this cost-effective placement program should be rejected.

V. GOVERNANCE

Sempra Energy groups the Internal Audit department, Corporate Secretary and Board of Directors, and its senior executives within in this category. Of its total $10.8 million forecast, Sempra Energy proposes an allocation of $3.1 million to SDG&E and $2.9 million to SCG, or 56% overall to the utilities. Although this represents an increase of $1.1 million from the base year, including escalation, DRA would eliminate $845,000[30], leaving an increment of only $265,000 for escalation and anticipated growth.

A. Internal Audit

1. Financial & Operational Audit Services (1100-0041)

Sempra Energy requests a 2012 forecast of $1.554 million. DRA proposes a reduction of $391,000 in utility allocations for increased staffing, claiming that Corporate Center testimony provides "no justification"[31]. Sempra Energy is puzzled by DRA's position as it has provided specific data responses which provided numerous descriptions of growth areas throughout testimony and workpapers. For example, in response to a DRA data request DRA-SDG&E-027, Q1 (attached), Sempra Energy provided further specifics on the impact of capital growth on Internal Audit resources. DRA apparently has ignored this compelling justification, and their proposed disallowance does not allow for adequate compliance and risk protection for new SDG&E and SCG assets.

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[30] Exhibit DRA-26, page 33.
[31] Exhibit DRA-26, page 30.

Furthermore, DRA determined, for this one cost center out of a department of six cost centers, that non-labor costs were "trending downward" based on 2010 recorded data. DRA proposes another reduction of $48,000 in allocations from TY2012 for this reason. DRA's approach is incorrect. First, Sempra Energy does not support the use of 2010 data in this instance. Second, DRA is blindly viewing dollar amounts for trends, despite the provision of detailed, year-over-year explanations of historical spending levels in numerous data responses. Finally, if such trending is permitted as DRA suggests, it is inaccurate to view the trend of non-labor expenses only. Internal Audit uses temporary consultants, which is recorded as non-labor, when there are employee vacancies. As vacancies are filled, less temporary staffing classified as non-labor is needed. Thus, the totals for this cost center were not trending downward, and removing overall forecast dollars for this reason is inaccurate and short-sighted. The Commission should adopt Sempra Energy's TY 2012 request.

2. Audit Quality Assurance (1100-0050)

DRA removed 100% of the forecast associated with this cost center, claiming insufficient justification and the fact that 2010 recorded data showed almost no expense. This further reduced Internal Audit allocations by $158,000[32]. As explained in a response to DRA data request DRA-SDG&E-004, Q4 & 19 (attached) this cost center was carved out from the existing Audit Services organization to provide administrative support to all audit groups and the VP. There were no new employees added overall, and with a change in department leadership, the staff and expenses of this cost center were blended again with other cost centers in 2010. Thus, DRA makes an incorrect assumption in its reliance on 2010 recorded costs for this single cost center, and their adjustment should be dismissed. Sempra Energy's forecast for this cost center is reasonable, justified and accurate.

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[32] Exhibit DRA-26, page 31.

B. Corporate Secretary (1100-0143)

DRA proposes to reduce $151,000 from the 2012 forecast allocations, using 2010 recorded costs as the basis, citing a Commission decision regarding situations where costs are stable for three years[33]. Cost center 1100-0143, however, has experienced unusual cost fluctuations due to timekeeping corrections, as was explained in detail in a response to DRA data requests DRA-SDG&E-004, Q20 and DRA-SDG&E-027, Q7 (attached). Although Sempra Energy would normally not support using 2010 recorded data as the new base year for forecasting, in the course of reviewing the costs for this rebuttal, we recognized some budget assumption errors that would prompt us to adjust our forecast to an amount similar to the 2010 data. Thus, in this particular case, Sempra Energy accepts DRA's adjustment.

VI. LEGAL

Of its total $38.0 million escalated forecast for Legal services, Sempra Energy proposes an allocation of $15.7 million to SDG&E and $10.1 million to SCG, or 68% overall to the utilities. DRA would eliminate $18.6 million, reducing Sempra Energy's request by 72%.

A. Executive VP & General Counsel (1100-0141)

DRA takes the position that Corporate Center General Counsel is duplicative, and has proposed to remove $614,000 in unescalated utility allocations from TY2012[34]. Since there are General Counsel at both SDG&E and SCG, DRA believes no allocation should be made from Corporate Center General Counsel to the utilities. Again DRA has used an overly simplistic argument, basing its belief on a job title rather than an understanding the specific functions of Corporate Center and other business units. The Corporate Center General Counsel is the executive leader of the Corporate Center Law Department and the particular practice areas on

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[33] Exhibit DRA-26, page 32.
[34] Exhibit DRA-26, page 31.

which the corporate department continues to focus, including litigation, labor, regulatory, environmental, and commercial. Corporate services include real estate, mergers and acquisitions, and SEC matters, as well as the coordination of billings from outside legal firms on behalf of all business units. Such practice areas and services are usually not handled at the business units. These differences in the corporate and utility legal teams were explained in data requests, which appear to have only been considered to the extent that DRA did not reject the entire Corporate Center Law Department based on reasons of duplication. See response to DRA-006-DFB, Q3 (attached) as an example. Thus, Sempra Energy's forecast of $856,000 for the Corporate Center General Counsel's salary and office expenses is reasonable and should be adopted in its entirety.

B. Corporate Center Law Department (1100-0144)

Sempra Energy's TY2012 forecast contained an incremental $400,000 for two additional attorneys needed in support of Sempra Energy's capital growth. The practice areas remaining at Corporate Center -- securities (financing), real estate, labor/employment, and certain regulatory and environmental are all impacted by project development. As Sempra's capital plans call for significant new utility investments in electric generation, transmission, gas infrastructure, and new metering technology, that growth creates demand on legal services at Corporate Center. The addition of two attorney level FTE's at Corporate Center is necessary to augment the level of available support in these practice areas. Despite explaining this in data request responses see DRA-SDG&E-028, Q3 (attached), DRA determined there was insufficient justification provided and recommended a disallowance. In addition, they removed an additional $165,000 for non-labor costs[35] even though Sempra Energy provided a data request response detailing the fact that the $400,000 included non-labor costs attributed to the new hires DRA-SDG&E-097, Q4

[35] Exhibit DRA-26, page 35.

(attached). Furthermore, DRA has made a calculation error in its adjustment for the Multi-Factor, similar to the error described in Investor Relations above, because of the direct-charges in this cost center. Accordingly, DRA's recommended adjustments should be rejected and the full TY 2012 forecast of $9.379 million should be adopted.

C. Outside Legal (1100-0145)

Sempra Energy requests a TY forecast in the amount of $27.778 million. Outside Legal is made up of non-labor fees paid to external law firms, primarily for assistance in litigation matters. As described in my direct testimony (SDG&E-Exhibit- 23 and SCG Exhibit-17), when neither the business unit department nor Corporate Center Law Department (CCLD) is able to provide the necessary legal services, outside counsel is hired. It appears that DRA has this confused with the in-house legal staff of Corporate Center Law Department, discussed in the preceding section, as its testimony repeatedly refers to the costs in Outside Legal as "CCLD"[36]. In any event, DRA proposed a disallowance of Sempra Energy's TY2012 forecasted utility allocations of $17.686 million, citing the 2010 reorganization and the formation of SDG&E and SCG's own legal departments. While it is unclear if DRA's intention was truly to reject all Outside Legal or all of the Corporate Center Law Department, Sempra Energy notes that the level of discovery imposed on the Legal area was significant. For DRA to claim a lack of informative data as the basis for its rejection is disingenuous, as the Corporate Center alone responded to nearly 70 specific questions from DRA regarding the legal area, including requests for comprehensive historical matter detail through 2010. As reflected in its numerous data request responses, Sempra Energy's forecast is based on a trend of costs that could be considered a typical level for any given year. This is arrived at by adjusting from the total Outside Legal

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[36] Exhibit DRA-26, page 36.

costs any significant amounts that could be considered unusual and not typical of ongoing business.

Also, it appears DRA prefers that Sempra Energy endeavor to identify the specific vendors and payment amounts to be made in *future* cases. Legal matters, however, vary from year to year and are by nature non-recurring, to be replaced by as-yet-unknown matters. For DRA to disallow *any* expense level because of this uncertainty is inconsistent with the general concept of forecasting. Finally, in response to DRA's assertions that the reorganization makes the contracting of outside firms unnecessary[37], Sempra Energy points out that the transfers of in-house staff had no impact on ongoing litigation or the need to use specialized outside counsel on behalf of business units. Corporate Center continues to review and track billings and process payments for outside legal, which are all handled as direct charges to the appropriate business units. Therefore, DRA's adjustment for these fees is completely unfounded and should be rejected.

VII. HUMAN RESOURCES

The shared HR services forecast total of $18.3 million is primarily allocated based on number of employees at each business unit; thus the allocation is $6.1 million for SDG&E and $7.8 million for SCG. DRA proposes reductions of $1.4 million to these utility allocations, for the following reasons[38]:

A. Executive Compensation Services (1100-0136)

DRA proposed a disallowance of $89,000 from utility allocations in TY2012, basing its adjustment on 2010 recorded costs. Sempra Energy's forecast methodology for Executive Compensation Services uses a zero based approach, taking into consideration staffing and

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[37] Exhibit DRA-26, page 36.
[38] Exhibit DRA-26, page 42.

management needs. Sempra Energy disagrees with DRA's selective practice of using 2010 recorded data, and points out that 2010 is not a representative year because it contains a large prior-year credit and also does not include the cyclical consulting expense that is otherwise averaged in the 2012 forecast. Sempra's Energy's TY2012 request of $960,000 is based on a more accurate forecasting methodology and should be granted.

B. Corporate Human Resources (HR) Business Partner (1100-0130)

DRA proposes that since the utilities already have a HR business partner function, that the Corporate Center position is duplicative[39]. DRA proposed to disallow 100% of the $886,000 utilities allocation for this department. DRA is misguided as to the functions of the HR business partner department which is not a shared service but rather provides a broad range of human resources advisory services and support for employee relations, development and recruiting. As explained in my direct testimony (page BAF-47), Corporate Center HR activities include HR policy interpretation, performance management, employee discipline, career counseling, salary administration, employee/team development, and processing terminating employees from the Corporate Center. The utility HR business partner does not provide this support for shared service employees at Corporate Center and is therefore not a duplicate function. In other words, the utility HR business partner and the Corporate Center HR business partner do not serve the same employees. Corporate Center HR funding should not be disallowed solely because the department possesses a similar name to a utility department. Sempra Energy's request for $1.067 million should be granted for this essential function.

C. Corporate Community Partnerships (1100-0155)

Although DRA has been provided ample detail and analysis related to the 2010 reorganization, DRA mistakenly concludes that many of the remaining functions at Corporate

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[39] Exhibit DRA-26, page 40.

Center are now duplicative, including this cost center.[40] DRA proposes a disallowance of 100% of the $277,000 escalated allocation to the utilities. While there were many reductions and transfers in the 2010 reorganization, the two remaining employees at Corporate Center working on corporate community partnerships continue to support *employee-based* giving and volunteer programs, which are not duplicate activities of the corporate-based community support activities that are now based at SDG&E. The utilities do not administer the company-wide employee based Volunteer Incentive Program, the scholarship programs, and the Sempra Employee Giving Network. To maintain these unique and worthy activities Sempra Energy's escalated TY 2012 budget of $295,000 is appropriate and reasonable as requested and should be adopted.

D. Internal Communications (1100-0170)

For the same rationale as Corporate Community Partnerships described above, DRA has proposed a disallowance of 100% of the $145,000 escalated allocation for this cost center, with one remaining employee, who primarily focuses on the administration of the Corporate intranet system and its use as a communication tool to all employees company-wide, including policy publication, company news, etc. The utilities may have some separate vehicles for communicating to their employee base, but they are not duplicative of the overall focus of this cost center. Sempra Energy's TY 2012 forecast of $155,000 is appropriate and reasonable as requested.

VIII. EXTERNAL AFFAIRS

Sempra Energy groups its communications and government policy functions in this division, referred to as Corporate Relations since the 2010 reorganization. Of its total $6.6 million forecast, Sempra Energy proposes an allocation of $1.1 million to SDG&E and $1.1

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[40] Exhibit DRA-26, page 41.

million to SCG, or 33% overall to the utilities. Although costs have declined dramatically, DRA still proposes to eliminate $360,000, as described below.

A. VP Corporate Relations (1100-0150)

DRA proposes a reduction of $81,000 in utility allocations for incremental costs, claiming Corporate Center testimony provides "insufficient justification"[41]. However, Sempra Energy provided data responses to DRA further explaining that the incremental costs were for a new FTE DRA-SDG&E-009, Q17 (attached). The increase represents a consolidation of certain compliance costs now under the responsibility of the new VP Corporate Relations that had previously been incurred by other cost centers eliminated in the reorganization. For example, as itemized in response to data requests DRA-SDG&E-009, Q24 (attached) there were reductions of $8.6 million in transferred or eliminated cost centers from the External Affairs division alone. Out of those reductions, $176,000 was transferred to this cost center to support the post-reorganization subsidiary boards. Overall, there is no actual increase; DRA is proposing to single out a cost center for reduction without considering the overall changes in the organization.

Furthermore, DRA determined that non-labor costs were "trending downward" based on 2010 recorded data[42]. DRA proposed to remove an additional $77,000 in allocations from TY 2012 for this reason. Instead, DRA should have considered the more accurate detailed, year-over-year explanations of historical spending levels provided in data responses DRA-SDG&E-009, Q14 & 15 (attached). In 2009, the VP purposely terminated several consulting and membership contracts, which reduced non-labor significantly but should not be construed as a trend. Adjusting Sempra Energy's forecast allocations for this reason is short-sighted and does

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[41] Exhibit DRA-26, page 44.
[42] Exhibit DRA-26, page 44.

not lead to a reasonable forecast. Thus, Sempra Energy's TY2012 forecast of $697,000 should be adopted.

B. Government Programs and Corp Responsibility (1100-0157)

DRA proposes that since expenses in this cost center have fluctuated from year to year, that they prefer a four-year average as the basis for a forecast, resulting in a $110,000 reduction to utility allocations[43]. Sempra Energy's zero-based approach takes into consideration individual job positions and cost elements and expected spending levels which is a more effective method of forecasting given the organizational changes that have occurred within this department. Moreover, Sempra Energy objects to DRA's patent selectivity in its methodologies, noting that 2010 actual recorded costs were the highest of any of the historical years, so they declined to use it as the new "base" for 2012 as they have for numerous other cost centers in their report. DRA also ignored the reasons for this increase, provided in Bruce Folkmann's workpapers, which detailed the consolidation of expenses from other cost centers (1100-0456) following the 2010 reorganization, similar to the cost transfer described above in VP Corporate Relations. Taking these impacts into consideration, the historical year costs are out of date and inappropriate to use for averaging. The Commission should reject DRA's adjustment and adopt the TY 2012 forecast of $611,000.

IX. FACILITIES/ASSETS

Sempra Energy requests a TY forecast in the amount of $15.7 million. DRA's adjustments in this group are limited to their proposed change in the Multi-Factor allocation ($275,000) and escalation differences ($34,000) – a total reduction of $309,000 in utility allocations. Please refer to section II, above, for Sempra Energy's rebuttal to these adjustments.

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[43] Exhibit DRA-26, page 44.

X. PENSION & BENEFITS

Sempra Energy has grouped the cost forecasts for Corporate Center employee benefits in this category, although direct testimony that describes the benefit plans and supporting documentation was submitted by witness Debbie Robinson (SDG&E Exhibit-225 and SCG Exhibit-219). Of Sempra Energy's $94.6 million forecast total for benefits, payroll taxes, incentive compensation and supplemental retirement, the only allocation to utilities are those that follow employees and officers' allocation for their base salaries, which results in $15.5 million to SDG&E and $14.7 million to SCG, a total of 32% in overall allocation to the utilities. DRA seeks to reduce the SDG&E allocations to $5.9 million and SCG allocations to $5.9 million, or 12% combined. This is a 61% reduction from Sempra Energy's already-reasonable request. DRA's reductions of $18.5 million can be categorized as:

- $1.6 million in overhead adjustments as a result of all labor changes in DRA's report
- $0.6 million adjustments resulting from Multi-Factor and escalation differences
- $2.7 million adjustment to allow only 50% of requested incentive bonuses (ICP)
- $13.6 million disallowance of any long-term incentives or supplemental retirement

The first two items are standard employee benefits on the labor items and allocation formulas that DRA disputes in their report, and with which we disagree on all but one cost center. Our agreement on cost center 1100-0143 (sec. V-B) would result in an adjustment to Pension & Benefits of approximately $75,000. The third and fourth items that DRA proposes to reduce are for incentive compensation and supplemental retirement benefits, and as explained in Ms. Robinson's testimony, each of these reductions is without merit.

XI. SUMMARY AND CONCLUSION

DRA's report is an attempt to discount Sempra Energy's carefully allocated forecast to the utilities from $116 million to $68 million total. Although half of DRA's proposed$48 million reduction is based on claims that Sempra Energy's costs were not sufficiently justified or are for functions that are duplicated at the utilities, this rebuttal testimony has shown that through direct testimony, workpaper references and data responses (attached) Sempra Energy has fully justified its TY2012 forecasted expenses. Also, though a small percentage of DRA's proposal results from tinkering with Sempra Energy's multi-factor allocation formula, it should be clear that DRA's rationale for the adjustments are arbitrary and inconsistent with the methodology established in prior rate cases. Finally, DRA proposed many cuts to Sempra Energy's forecast by selectively referring to 2010 recorded data or historical averages, and this rebuttal repeatedly proves that DRA ignored relevant facts in what can only be construed as a goal-seeking exercise. While we believe, per the Rate Case Plan, that updates to our forecast are permissible only later in the proceeding, we currently agree with one adjustment for the Corporate Secretary budget (sec. V-B). Otherwise, DRA's recommendations are overwhelmingly flawed and should be denied by the Commission.

UCAN also recommended adjustments to the multi-factor allocation calculation. UCAN's recommendations are flawed and based on straightforward mathematical errors as well as misapplication of precedent and logic. By incorrectly reading DRA's workpaper, which was used as a basis for extrapolating the dollar impact of multi-factor changes, UCAN grossly overstated their recommended reductions. Additionally, the percentage decrease is also overstated, although no supporting workpapers were provided. As Sempra Energy has proven above, the method it used has been consistent over multiple rate cases and is designed to represent an equitable approach to allocating costs for functions that serve all business units but for which there is no causal relationship.

This concludes my prepared rebuttal testimony.

XII. WITNESS QUALIFICATIONS

My name is Bruce A. Folkmann. My business address is 101 Ash Street, San Diego, California 92101. My current position is Acting Controller for Sempra Energy. My present responsibilities include managing corporate accounting, accounting research and policy, and external financial reporting (Securities and Exchange Commission reporting). I am a Certified Public Accountant. My professional career began in 1992, when I received a Bachelor of Business Administration degree in accounting and finance with membership in the Honors College from the University of Houston.

From 1993 to 2000, I was employed in public accounting and internal audit and accounting management of a multinational corporation. My experience in the power and utility industry began in 2001, and I joined Sempra Energy in 2005. I have not previously testified before the Commission.

ATTACHMENT A

DATA RESPONSES

UCAN DATA REQUEST
UCAN-SDG&E-DR-24
SDG&E 2012 GRC – A.10-12-005
SDG&E PARTIAL RESPONSE
DATE RECEIVED: JUNE 30, 2011
DATE RESPONDED: JULY 19, 2011

18. BAF-WP-533 states that the "The Multi-Factor Basic percentages used for 2009 actuals were calculated using November 2008 YTD results, per Sempra policy and the best available information at the time. Thus, the actual percentages used in 2009 may vary slightly from the calculation above, which used year end."

a. Please provide the multi-factor basic results using 2009 data. (i.e., 2009 operating revenues, 2009 operating expenses, 2009 gross plant and 2009 FTEs). Please provide all workpapers with formulas and links intact.
b. Please provide the multi-factor basic results using 2010 data (i.e., 2010 operating revenues, 2010 operating expenses, 2010 gross plant and 2010 FTEs). Please provide all workpapers with formulas and links intact.
c. Please explain how SDG&E used the November 2008 YTD results and how SDG&E used the year-end results.
d. Please indicate where in SDG&E's application, UCAN can discern the the "actual percentages used in 2009". If they are not in already testimony, please provide them.
e. To calculate the 2009 figure, did SDG&E use YTD or year-end financials?
f. To calculate the 2010 figure, did SDG&E use YTD or year-end financials?
g. Please provide a citation for each of the figures on this page and provide all backup workpapers.
h. If any of the figures in 18(g) differ from those reported in Sempra's 10K, please identify any variances and provide an explanation for those variances.

SDG&E Response 18:

a. The Multi-Factor Basic results using 2009 data are already displayed on BAF-WP-533, in the last 3 rows, headed "2010". The response to Question 19(a) contains Sempra's workbook with formulas to calculate the GRC Multi-Factor Basic.

b. The attachment in the response to Question 19(a), Multi-Factor Basic workbook, includes an update for 2011 using actual 2010 year-end data.

c. Per Sempra policy, the Multi-Factor Basic is calculated annually and is used in SAP allocations for the entire calendar year. Sempra does the calculation in late-December or early-January to have it reviewed and input in time for the first monthly financial closing. Because at that point the full prior year-end data is not yet available, Sempra has typically used internal November YTD financials to determine the Multi-Factor percentages for the coming year. The historical data presented was calculated from these percentages, and the 2009 rates shown throughout Bruce Folkmann's GRC testimony are these same ones that were used in actuals. For GRC *forecast* purposes only, Sempra goes back and recalculates the Multi-Factor percentages using audited year-end financial statements from the prior five years. It uses these updated percentages only for the purpose of setting the most accurate trend line to determine 2011 and 2012 Multi-Factor rates. It is these rates that are presented on BAF-WP-533, *only as support for the trend lines* shown on BAF-WP-532. The footnote

Response to Question 18 (Continued)

is intended to explain why the 2009 percentages shown on BAF-WP-533 are not exactly the same as the 2009 percentages shown elsewhere in testimony tables.

d. The actual 2009 percentages used for every allocation method does appear in testimony tables within each functional department description, and they are supported by the allocation workpapers BAF-WP-534 through BAF-WP-551.

e. On workpaper BAF-WP-533, the 2009 figure was calculated from audited 2008 year-end financials.

f. On workpaper BAF-WP-533, the 2010 figure was calculated from audited 2009 year-end financials.

g. The model included in the response to (b) above has expanded columns which show the financial statement amounts and any adjustments to arrive at the figures used in BAF-WP-533. This workpaper has been the subject of extensive audit by DRA, in which each entry was tied to Sempra's published annual reports. For ease of reference, attached is a PDF with pages from Sempra's 2010 5-Year Statistical Report which displays the financial data in five comparable years, and an Excel file showing the internal Headcount Reports for each of the years.

20110714150142.pdf   Headcount Data 2005-2010.xlsx

h. As mentioned in (g), there were a few adjustments from published financial statements, and these were reviewed by DRA's auditor. Following is Sempra's response explaining these adjustments:

- Please explain in detail why the DWR sales were not included in the Annual Financial Statement and why are they included in this cost allocation factor report.

> *The DWR sales originated 10 years ago when the state of California selected it as the agency that would procure long-term power contracts to ensure a stable, fixed-rate supply of electricity was available to California ratepayers. All California utilities take part in distributing electricity that was partly sourced from these contracts. Customer bills contain separate line items for the DWR share, but SDG&E merely passes the billings on as a receivable and remits them concurrently to DWR as a payable, with no reflection in the Income Statement. SDG&E also distributes electricity that it purchases*

Response to Question 18 (Continued)

through its own power supply agreements, and those are the billings that are reported as Gross Revenue, after balancing per FAS-71.

Sempra includes DWR revenue in the Multifactor calculation, and has done so consistently since the contract inception, including the forecast used in the 2008 GRC, as it still represents actual revenue-related distribution effort at SDG&E, just as if such deliveries were sourced from balanced power purchases.

- Trading Margin has been used instead of Operating Revenues for Commodities. Trading Margin consists of net trading revenues less cost of sales, litigation expense, other operating expenses, depreciation/amortization, and interest expense. Please explain in detail why the "net" revenues were used instead of "gross" revenues.

  This question refers to calculations made before April 1, 2008. On that date, Sempra became a minority partner in Sempra Energy Trading, and, accordingly, revenues were no longer recorded by Sempra. As of this writing, substantially all of the businesses and assets of Sempra Energy Trading (now RBS Sempra Commodities LLP) have been liquidated.

  Prior to April 1, 2008, Sempra used "net" revenues, or margin, due to the nature of the trading business. Businesses such as Sempra Energy Trading will serve as a buyer or a seller, depending on a given customer's need. Sempra Energy Trading served as a buyer or seller for many customers and, as a result, tended to buy and sell a given quantity of commodity multiple times for each physical delivery. This dynamic of a trading business necessarily decreases the focus on revenues, and increases the importance of margin to both management and investors as a volume indicator. Sempra primarily discussed and prominently displayed margin to investors in its public disclosures. For example, see page 11 of the 2007 Annual Report.

  Sempra notes that internal margin calculations described in Note #2 differ slightly from the actual margin published in the Annual Report. Published margin amounts are the correct amounts and should have been used to calculate the Multifactor forecast, although the impact would have been minimal.

- Gross value of SONGS ($1,164) has been added back. Please explain in detail why there is such a difference.

Response to Question 18 (Continued)

> *A portion of SONGS had been fully recovered years ago through the Transition Cost Balancing Account (TCBA) and Sempra followed a subsequent Deloitte recommendation to remove both the asset balance and the related accumulated depreciation for SEC reporting. For FERC reporting purposes, however, the portion of SONGS remains on SDG&E's books, so Sempra adds it back for the Multi-Factor calculation, and has done so consistently, including in the last two GRC filings.*

Also highlighted in the Multi-Factor support workpaper is an oversight in the original GRC calculation: the 2009 Actual value for gross plant assets was taken from a more detailed financial report that separated CWIP values, and they were inadvertently not included. The CWIP amounts were not material for purposes of the overall trend calculation; the omission caused utility percentages to be slightly lower.

ATTACHMENT DR-24 Q18 G

SEMPRA ENERGY HEADCOUNT BY COMPANY
DEC2005

COMPANY	OCC	CALL-IN		CALL-IN RETIRED		EMPLYMT CONTRACT	PROVISIONAL	ENHNCMT PRG	REGULAR		BUSINESS NECESSITY	STUDENT / INTERN		TOTAL FULL TIME	TOTAL PART TIME	TOTAL HEAD-COUNT	FTE *
	TYPE	FT	PT	FT	PT	FT	FT	FT	FT	PT	PT	FT	PT				
San Diego Gas & Electric	Associate		1		1	9		1	564	109		6	3	580	114	694	670.6
Co. 01	Executive								14					14		14	14
	Management		9		8	30		3	2,282	10	4			2,315	31	2346	2334.7
	Union Rep	1	88	1	19		63		1,367					1,432	107	1539	1485.5
	Total	1	98	1	28	39	63	4	4,227	119	4	6	3	4,341	252	4593	4,504.80
Southern California Gas Company	Associate					1			104	2		15	7	120	9	129	124.50
Co. 15	Executive								7					7		7	7.00
	Management					13	1		1,518	16				1,532	16	1548	1,540.00
	Union Rep								4,305	991	2			4,305	993	5298	4,801.50
	Total					14	1		5,934	1,009	2	15	7	5,964	1,018	6982	6,473.00
Sempra Energy Utilities Total:		1	98	1	28	53	64	4	10,161	1,128	6	21	10	10,305	1,270	11575	10,977.80
Sempra Energy	Associate		9			6			74		1	4		84	10	94	89.30
Co. 10	Executive								18					18		18	18.00
	Management					5			328	1	2			333	3	336	335.40
	Total		9			11			420	1	3	4		435	13	448	442.70
Sempra Energy Solutions	Associate								13					13		13	13.00
Co. 11	Management								109		1			109	1	110	109.80
	Total								122		1			122	1	123	122.80
Sempra Generation	Associate					1			8					9		9	9.00
Co. 12	Executive								1					1		1	1.00
	Management					1			44					45		45	45.00
	Total					2			53					55		55	55.00
Sempra Global	Associate					1			24					25		25	25.00
Co. 32	Executive								2					2		2	2.00
	Management					3			132					135		135	135.00
	Total					4			158					162		162	162.00
Sempra Energy Production Co.	Associate								1					1		1	1.00
Co. 34	Management								6					6		6	6.00
	Total								7					7		7	7.00
Sempra Energy LNG Corp	Associate								13					13		13	13.00
Co 37	Executive								1					1		1	1.00
	Management								44					44		44	44.00
	Total								58					58		58	58.00
Sempra Texas Services	Associate								1					1		1	1.00
Co 39	Management								14					14		14	14.00
	Total								15					15		15	15.00
Sempra Facilities Management	Associate								81					81		81	81.00
Co 41	Management								28					28		28	28.00
	Union					7								7		7	7.00
	Total					7			109					116		116	116.00
Topaz	Associate								157					157		157	157.00
Co 42H	Management								57					57		57	57.00
	Total								214					214		214	214.00
Sempra Pipelines & Storage	Associate								16					16		16	16.00
Co 43	Executive								1					1		1	1.00
	Management					1			22					23		23	23.00
	Total					1			39					40		40	40.00
Sempra Energy Services	Associate					1			11		1			12	1	13	12.80
Co 44	Management								64	1				64	1	65	64.80
	Total					1			75	1	1			76	2	78	77.60
Mesquite	Associate								23					23		23	23.00
46K	Management								5					5		5	5.00
	Total								28					28		28	28.00
Twin Oaks	Associate								53					53		53	53.00
SCJ	Management								8					8		8	8.00
	Total								61					61		61	61.00
Elk Hills	Associate								18					18		18	18.00
SNX	Management								5					5		5	5.00
	Total								23							23	23.00
Powerplants																326	326.00
Sempra Commodities														a) Domestic		389	
														b) International		296	
																685	685.00
Global Enterprises - Mexico																335	335.00
Total		1		1		79	64	4	11,543	1,130	11	25	10	11,694	1,286	14,023	13,419.90

INTERNATIONAL	631
DOMESTIC	13,392

*FTE -uses .8 for Part time in SDGE and .5 for Part-time in SoCal and all Call-Ins.
Generated as of 12/26/2005

FT = Full Time
PT = Part Time

ATTACHMENT DR-24 Q18 G

SEMPRA ENERGY
HEADCOUNT BY COMPANY
DEC 2006

COMPANY	OCC TYPE	CALL-IN FT	CALL-IN PT	CALL-IN RETIRED PT	EMPLYMT CONTRACT FT	EMPLYMT CONTRACT PT	PROVISIONAL FT	ENHNCMT PRG FT	REGULAR FT	REGULAR PT	BUSINESS NECESSITY PT	STUDENT / INTERN FT	STUDENT / INTERN PT	TOTAL FULL TIME	TOTAL PART TIME	TOTAL HEAD-COUNT		
San Diego Gas & Electric Co. 01	Associate			1	14				581	92		10	4	605	97	702	77.6	683
	Executive								14					14		14		14
	Management		11	7	25			2	2,361	11	4			2388	33	2421	26.4	2414.4
	Union Rep		64	23			82		1,452					1534	87	1621	69.6	1603.6
	Total		75	31	39		82	2	4,408	103	4	10	4	4541	217	4758		4715
Southern California Gas Company Co. 15	Associate				1				107	2		5	23	113	25	138	12.5	125.5
	Executive								7					7		7		7
	Management				10	1			1,623	18				1633	19	1652	9.5	1642.5
	Union Rep						1		4,314	1,123	7			4315	1130	5445	565	4880
	Total				11	1	1		6,051	1,143	7	5	23	6068	1174	7242		6655
Sempra Energy Utilities Total:			75	31	50	1	83	2	10,459	1,246	11	15	27	10609	1391	12000		
Sempra Energy Co. 10	Associate		12		9				73		1	2	1	84	14	98	7	91
	Executive								21					21		21		21
	Management	1	2		3				360		1			364	3	367	1.5	366
	Total	1	14		12				454		2	2	1	469	17	486		478
Sempra Energy Solutions Co. 11	Associate								19		1			19	1	20	0.5	19.5
	Management								125		1			125	1	126	0.5	125.5
	Total								144		2			144	2	146		145
Sempra Generation Co. 12	Associate								3					3		3		3
	Executive								1					1		1		1
	Management				1				29		1			30	1	31	0.5	30.5
	Total				1				33		1			34	1	35		35
Sempra Global Co. 32	Associate								23				1	23	1	24	0.5	23.5
	Executive								2					2		2		2
	Management				2				122					124		124		124
	Total				2				147				1	149	1	150		150
Cameron LNG Co. 35	Management								4					4		4		4
	Total								4					4		4		4
Sempra Energy LNG Corp Co. 37	Associate				1				11					12		12		12
	Executive								1					1		1		1
	Management								56					56		56		56
	Total				1				68					69		69		69
Sempra Broadband Co. 38	Management				2									2		2		2
	Total				2									2		2		2
Sempra Pipelines & Storage Co. 43	Associate								23					23		23		23
	Executive								1					1		1		1
	Management								27					27		27		27
	Total								51					51		51		51
El Dorado (Power Plant) Co. A22	Associate								16					16		16		16
	Management								5					5		5		5
	Total								21					21		21		21
Mesquite (Power Plant) Co. 46K	Associate								24					24		24		24
	Management								5					5		5		5
	Total								29					29		29		29
Powerplants																50		
Sempra Commodities														a) Domestic		425		
														b) International		283		
																708		708
Global Enterprises - Mexico																360		360
Total		1	89	31	68	1	83	2	11,410	1,246	16	17	29	11,581	1,412	14,061		
INTERNATIONAL																643		
DOMESTIC																13,418		
														Total		14,061		13,420

*FTE - uses .8 for Part time in SDGE and .5 for Part-time in SoCal and all Call-Ins.

FT = Full Time
PT = Part Time

ATTACHMENT DR-24 Q18 G

SEMPRA ENERGY
HEADCOUNT BY COMPANY
DECEMBER 2007

COMPANY	OCC TYPE	CALL-IN FT	CALL-IN PT	CALL-IN RETIRED PT	EMPLYMT CONTRACT FT	EMPLYMT CONTRACT PT	PROVISIONAL FT	ENHNCMT PRG FT	REGULAR FT	REGULAR PT	BUSINESS NECESSITY PT	STUDENT / INTERN FT	STUDENT / INTERN PT	TOTAL FULL TIME	TOTAL PART TIME	TOTAL HEAD-COUNT	FTE *	Previous Month FTE *	Percent Change		
San Diego Gas & Electric	Associate			1	12				580	82		6	7	598	90	688	669.70	678.90	-1.36	72	670
Co. 01	Executive								14					14		14	14.00	14.00			14
	Management		9	5	42	1		1	2,377	11	3			2420	29	2449	2439.00	2452.50	-0.55	23.2	2443
	Union Rep		72	21			65		1,465					1530	93	1623	1576.50	1590.00	-0.85	74.4	1604
	Total		81	27	54	1	65	1	4,436	93	3	6	7	4562	212	4774	4699.20	4735.40	-0.76		4732
Southern California Gas Company	Associate				1				105	2			30	106	32	138	122.00	122.50	-0.41	16	122
Co. 15	Executive								6					6		6	6.00	6.00			6
	Management				23				1,658	21				1681	21	1702	1691.50	1719.50	-1.63	10.5	1692
	Union Rep								4,221	1,152	3			4221	1155	5376	4798.50	4856.00	-1.18	577.5	4799
	Total				24				5,990	1,175	3		30	6014	1208	7222	6618.00	6704.00	-1.28		6618
Sempra Energy Utilities Total:			81	27	78	1	65	1	10,426	1,268	6	6	37	10576	1420	11996	11317.20	11439.40	-1.07		
Sempra Energy	Associate	1	26		7				76		1	4		88	27	115	101.30	101.30		13.5	102
Co. 10	Executive								24					24		24	24.00	24.00			24
	Management		2						378		2			378	4	382	380.60	383.20	-0.68	2	380
	Total	1	28		7				478		3	4		490	31	521	505.90	508.50	-0.51		506
Sempra Energy Solutions	Associate								23		1			23	1	24	23.80	24.80	-4.03	0.5	24
Co. 11	Management								143		1			143	1	144	143.80	143.80		0.5	144
	Total								166		2			166	2	168	167.60	168.60	-0.59		167
Sempra Generation	Associate								4					4		4	4.00	4.00			4
Co. 12	Executive								5					5		5	5.00	5.00			5
	Management				1				23		1			24	1	25	24.80	23.80	4.20	0.5	25
	Total				1				32		1			33	1	34	33.80	32.80	3.05		34
Sempra Global	Associate								23					23		23	23.00	22.00	4.55		23
Co. 32	Executive								3					3		3	3.00	3.00			3
	Management								123					123		123	123.00	122.00	0.82		123
	Total								149					149		149	149.00	147.00	1.36		149
Cameron LNG	Associate								38					38		38	38.00	38.00			38
Co. 35	Management								17					17		17	17.00	17.00			17
	Total								55					55		55	55.00	55.00			55
Sempra Energy LNG Corp	Associate				2				10					12		12	12.00	12.00			12
Co. 37	Executive								5					5		5	5.00	5.00			5
	Management								51					51		51	51.00	52.00	-1.92		51
	Total				2				66					68		68	68.00	69.00	-1.45		68
Sempra Pipelines & Storage	Associate				1				12			1		14		14	14.00	14.00			14
Co. 43	Executive								3					3		3	3.00	3.00			3
	Management								27					27		27	27.00	27.00			27
	Total				1				42			1		44		44	44.00	44.00			44
El Dorado (Power Plant)	Associate								16					16		16	16.00	16.00			16
Co. A22	Management								5					5		5	5.00	5.00			5
	Total								21					21		21	21.00	21.00			21
Mesquite (Power Plant)	Associate								26					26		26	26.00	28.00	-7.14		26
Co. 46K	Management								4					4		4	4.00	4.00			4
	Total								30					30		30	30.00	32.00	-6.25		30
Power Plants																51	51.00	53.00	-3.77		
Sempra Commodities														a) Domestic		474					
														b) International		337					
																811	811.00	799.00	1.50		811
Global Enterprises - Mexico																417	417.00	423.00	-1.42		417
Total		1	109	27	89	1	65	1	11,465	1,268	12	11	37	11,632	1,454	14,314	13619.50	13739.30	-0.87		

INTERNATIONAL		754	
DOMESTIC		13,560	**13,651**
	Total	14,314	

*FTE - uses .8 for Part time in SDGE and .5 for Part-time in SoCal and all Call-Ins.

FT = Full Time
PT = Part Time

ATTACHMENT DR-24 Q18 G

SEMPRA ENERGY
HEADCOUNT BY COMPANY
DECEMBER 2008

COMPANY	OCC TYPE	CALL-IN FT	CALL-IN PT	CALL-IN RETIRED PT	EMPLYMT CONTRACT FT	EMPLYMT CONTRACT PT	PROVISIONAL FT	ENHNCMT PRG FT	REGULAR FT	REGULAR PT	BUSINESS NECESSITY PT	STUDENT / INTERN FT	STUDENT / INTERN PT	TOTAL FULL TIME	TOTAL PART TIME	TOTAL HEAD-COUNT	FTE *
San Diego Gas & Electric	Associate			1	16				552	100		9	6	577	107	684	662.6
Co. 01	Executive								13					13		13	13.0
	Management		9	6	60	1			2,432	8	2			2492	26	2518	2512.8
	Union Rep		74	18			26		1,500					1526	92	1618	1599.6
	Total		83	25	76	1	26		4,497	108	2	9	6	4608	225	4833	4788.0
Southern California Gas Company	Associate				3				99	4			29	102	33	135	118.5
Co. 15	Executive								7					7		7	7.0
	Management				25				1,578	17				1603	17	1620	1611.5
	Union Rep								4,294	1,132				4294	1132	5426	4860.0
	Total				28				5,978	1,153			29	6006	1182	7188	6597.0
Sempra Energy Utilities Total:			83	25	104	1	26		10,475	1,261	2	9	35	10614	1407	12021	11385.0
Sempra Energy	Associate		28		11				76		2	4		91	30	121	115.0
Co. 10	Executive								23					23		23	23.0
	Management		2		1				408		2			409	4	413	412.2
	Total		30		12				507		4	4		523	34	557	550.2
Sempra Generation	Associate				1				4					5		5	5.0
Co. 12	Executive								5					5		5	5.0
	Management								26	1	1			26	2	28	27.6
	Total				1				35	1	1			36	2	38	37.6
Sempra Global	Associate				1				23					24		24	24.0
Co. 32	Executive								2					2		2	2.0
	Management				1				150	1				151	1	152	151.8
	Total				2				175	1				177	1	178	177.8
Cameron LNG	Associate								39			1		40		40	40.0
Co. 35	Management								17					17		17	17.0
	Total								56			1		57		57	57.0
Sempra Energy LNG Corp	Associate				1				9					10		10	10.0
Co. 37	Executive								4					4		4	4.0
	Management								41					41		41	41.0
	Total				1				54					55		55	55.0
Sempra Pipelines & Storage	Associate								30					30		30	30.0
Co. 43	Executive								7					7		7	7.0
	Management								27					27		27	27.0
	Total								64					64		64	64.0
Mobile Gas Service Corp	Associate								77	1				77	1	78	77.8
Co. 45	Executive								5					5		5	5.0
	Management								71					71		71	71.0
	Union Rep								91					91		91	91.0
	Total								244	1				244	1	245	244.8
El Dorado (Power Plant)	Associate								16					16		16	16.0
Co. A22	Management								4					4		4	4.0
	Total								20					20		20	20.0
Mesquite (Power Plant)	Associate								27					27		27	27.0
Co. 46K	Management								5					5		5	5.0
	Total								32					32		32	32.0
Power Plants																52	52.0
Global Enterprises - Mexico																406	406.0
Total			113	25	120	1	26		11,662	1,264	7	14	35	11,822	1,445	13,673	13029.4

INTERNATIONAL	406
DOMESTIC	13,267
Total	13,673

*FTE - uses .8 for Part time in SDGE and .5 for Part-time in SoCal and all Call-Ins.

FT = Full Time
PT = Part Time

Includes 280 Energy South Employees hired during December 2008: 1 empl in Co 32; 34 empls in Co 43, and 245 empls in Co 45.

ATTACHMENT DR-24 Q18G

SEMPRA ENERGY
HEADCOUNT BY COMPANY
DECEMBER 2009

COMPANY	OCC TYPE	CALL-IN FT	CALL-IN PT	CALL-IN RETIRED PT	EMPLYMT CONTRACT FT	EMPLYMT CONTRACT PT	PROVISIONAL FT	ENHNCMT PRG FT	REGULAR FT	REGULAR PT	BUSINESS NECESSITY PT	STUDENT / INTERN FT	STUDENT / INTERN PT	TOTAL FULL TIME	TOTAL PART TIME	TOTAL HEAD-COUNT	FTE *
San Diego Gas & Electric	Associate			1	20				546	104		18	2	584	107	691	669.6
Co. 01	Executive								14					14		14	14.0
	Management		8	11	100	3			2,573	8	1			2673	31	2704	2697.8
	Union Rep		121	14			21		1,502					1523	135	1658	1631.0
	Total		129	26	120	3	21		4,635	112	1	18	2	4794	273	5067	5012.4
Southern California Gas Compa	Associate				1				95	3			34	96	37	133	114.5
Co. 15	Executive								7					7		7	7.0
	Management				27				1,636	20	1			1663	21	1684	1673.5
	Union Rep								4,206	1,106				4206	1106	5312	4759.0
	Total				28				5,944	1,129	1		34	5972	1164	7136	6554.0
Sempra Energy Utilities Total:			129	26	148	3	21		10,579	1,241	2	18	36	10766	1437	12203	11566.4
Sempra Energy	Associate		27		10				73		3	1		84	30	114	108.0
Co. 10	Executive								20					20		20	20.0
	Management		2		2				412		3			414	5	419	418.0
	Total		29		12				505		6	1		518	35	553	546.0
Sempra Generation	Associate								3					3		3	3.0
Co. 12	Executive								5					5		5	5.0
	Management								27					27		27	27.0
	Total								35					35		35	35.0
Sempra Global	Associate								20			1		21		21	21.0
Co. 32	Executive								1					1		1	1.0
	Management								108					108		108	108.0
	Total								129			1		130		130	130.0
Cameron LNG	Associate								42					42		42	42.0
Co. 35	Management								17					17		17	17.0
	Total								59					59		59	59.0
Sempra Energy LNG Corp	Associate								6					6		6	6.0
Co. 37	Executive								6					6		6	6.0
	Management								26					26		26	26.0
	Total								38					38		38	38.0
Sempra Pipelines & Storage	Associate								35					35		35	35.0
Co. 43	Executive								7					7		7	7.0
	Management								22					22		22	22.0
	Total								64					64		64	64.0
Mobile Gas Service Corp	Associate								71					71		71	71.0
Co. 45	Executive								2					2		2	2.0
	Management				1				66					67		67	67.0
	Union Rep								83					83		83	83.0
	Total				1				222					223		223	223.0
Sempra Global Services, Inc.	Associate				2				10					12		12	12.0
Co. 47	Executive								1					1		1	1.0
	Management				3				64					67		67	67.0
	Total				5				75					80		80	80.0
El Dorado (Power Plant)	Associate								19					19		19	19.0
Co. A22	Management								4					4		4	4.0
	Total								23					23		23	23.0
Mesquite (Power Plant)	Associate								26					26		26	26.0
Co. 46K	Management								6					6		6	6.0
	Total								32					32		32	32.0
Power Plants																55	55.0
Global Enterprises - Mexico																399	399.0
Total			158	26	166	3	21		11,761	1,241	8	20	36	11,968	1,472	13,839	13195.4

INTERNATIONAL	399
DOMESTIC	13,440
Total	13,839

*FTE - uses .8 for Part time in SDGE and .5 for Part-time in SoCal and all Call-Ins.

FT = Full Time

PT = Part Time

ATTACHMENT DR-24 Q18G

SEMPRA ENERGY
HEADCOUNT BY COMPANY
DECEMBER 2010

COMPANY	OCC	CALL-IN	CALL-IN RETIRED	EMPLYMT CONTRACT		PROVISIONAL	REGULAR		BUS NEC	STUDENT / INTERN		TOTAL			Transfers	Adj. HEAD-			
	TYPE	PT	PT	FT	PT	FT	FT	PT	PT	FT	PT	FULL TIME	PART TIME	HEAD-COUNT	In (Out)	COUNT	Full Time Adj	PT Adj (x0.8)	Total Adj FTE
San Diego Gas & Electric Co. 01	Associate	-	1	31	-	-	511	80	-	13	-	555	81	636					
	Executive	-	-	-		-	16	-	-	-	-	16	-	16					
	Management	8	10	105	2	-	2,628	11	1	-	-	2,733	32	2,765					
	Union Rep	66	21	-		3	1,463	-	-	-	-	1,466	87	1,553					
	Total	74	32	136	2	3	4,618	91	1	13	-	4,770	200	4,970	(44)	4,926	4,726	160	4,886
Southern California Gas Co. 15	Associate	-	-	5		-	96	2	-	1	31	102	33	135					
	Executive	-	-	-		-	10	-	-	-	-	10	-	10					
	Management	-	-	43		-	1,702	28	-	-	-	1,745	28	1,773					
	Union Rep	-	-	-		-	4,030	1,119	-	-	-	4,030	1,119	5,149					
	Total	-	-	48	-	-	5,838	1,149	-	1	31	5,887	1,180	7,067	125	7,192	6,012	590	6,602
Sempra Energy Utilities Total:		74	32	184	2	3	10,456	1,240	1	14	31	10,657	1,380	12,037					
Sempra Energy Co. 10	Associate	8	-	6		-	60	-	2	-	1	66	11	77					
	Executive	-	-	-		-	14	-	-	-	-	14	-	14					
	Management	2	-	1		-	343	-	3	-	-	344	5	349					
	Total	10	-	7	-	-	417	-	5	-	1	424	16	440	(93)	347	331	13	344
Sempra Generation Co. 12	Associate	-	-	-		-	5	-	-	-	-	5	-	5					
	Executive	-	-	-		-	6	-	-	-	-	6	-	6					
	Management	-	-	-		-	35	-	-	-	-	35	-	35					
	Total	-	-	-		-	46	-	-	-	-	46	-	46	26	72	72	-	72
Sempra Global Co. 32	Associate	-	-	-		-	14	-	-	-	-	14	-	14					
	Executive	-										-	-	-					
	Management	-	-	-		-	74	-	-	-	-	74	-	74					
	Total	-	-	-	-	-	88	-	-	-	-	88	-	88	(85)	3	3	-	3
Cameron LNG Co. 35	Associate	-	-	-		-	40	-	-	-	-	40	-	40					
	Management	-	-	-		-	16	-	-	-	-	16	-	16					
	Total	-	-	-		-	56	-	-	-	-	56	-	56		56	56	-	56
Sempra Energy LNG Corp Co. 37	Associate	-	-	-		-	6	-	-	-	-	6	-	6					
	Executive	-	-	-		-	7	-	-	-	-	7	-	7					
	Management	-	-	-		-	30	-	-	-	-	30	-	30					
	Total	-	-	-		-	43	-	-	-	-	43	-	43	14	57	57	-	57
Sempra Pipelines & Storage Co. 43	Associate	-	-	-		-	37	-	-	-	-	37	-	37					
	Executive	-	-	-		-	6	-	-	-	-	6	-	6					
	Management	-	-	1		-	31	-	-	-	-	32	-	32					
	Total	-	-	1		-	74	-	-	-	-	75	-	75	96	171	171	-	171
Mobile Gas Service Corp Co. 45	Associate	-	-	1		-	70	1	-	-	-	71	1	72					
	Executive	-	-	-		-	2	-	-	-	-	2	-	2					
	Management	-	-	-	-	-	63	-	-	-	-	63	-	63					
	Union Rep	-	-	-		-	79	-	-	-	-	79	-	79					
	Total	-	-	1	-	-	214	1	-	-	-	215	1	216		216	215	1	216
Sempra Global Services, Inc. Co. 47	Associate	-	-	2		-	6	-	-	-	-	8	-	8					
	Executive											-	-	-					
	Management	-	-	4		-	43	-	-	-	-	47	-	47					
	Total	-	-	6		-	49	-	-	-	-	55	-	55	(39)	16	16	-	16
El Dorado (Power Plant) Co. A22	Associate	-	-	-		-	21	-	-	-	-	21	-	21					
	Management	-	-	-		-	4	-	-	-	-	4	-	4					
	Total	-	-	-		-	25	-	-	-	-	25	-	25		25	25	-	25
Mesquite (Power Plant) Co. 46K	Associate	-	-	-		-	28	-	-	-	-	28	-	28					
	Management	-	-	-		-	6	-	-	-	-	6	-	6					
	Total	-	-	-		-	34	-	-	-	-	34	-	34		34	34	-	34
Power Plants														59					
Global Enterprises - Mexico														389		389			
Total		84	32	199	2	3	11,502	1,241	6	14	32	11,718	1,397	13,504		13,504	11,718	764	12,482

INTERNATIONAL	389
DOMESTIC	13,115
Total	13,504

Note: This report includes "Active" employees on Sempra's payroll. It does not include employees on leave of absense.
The count in this report reflect the employee's PAYROLL company.

Consolidated Statements of Operations

Sempra Energy®

(Dollars in millions, except per share amounts)	2010	2009	2008	2007	2006
	Years ended December 31,				
REVENUES					
Sempra Utilities	$ 6,819	$ 6,220	$ 7,972	$ 7,053	$ 6,899
Sempra Global and parent	2,184	1,886	2,786	4,385	4,862
Total revenues	9,003	8,106	10,758	11,438	11,761
EXPENSES AND OTHER INCOME					
Sempra Utilities:					
Cost of natural gas	(1,900)	(1,530)	(3,244)	(2,763)	(2,756)
Cost of electric fuel and purchased power	(637)	(672)	(900)	(699)	(721)
Sempra Global and parent:					
Cost of natural gas, electric fuel and purchased power	(1,155)	(976)	(1,671)	(1,302)	(1,221)
Other cost of sales	(91)	(80)	(182)	(988)	(1,468)
Litigation expense	(169)	(4)	(117)	(73)	(56)
Other operation and maintenance	(2,499)	(2,470)	(2,419)	(2,959)	(2,823)
Depreciation and amortization	(867)	(775)	(687)	(686)	(657)
Franchise fees and other taxes	(327)	(296)	(312)	(295)	(275)
Gains on sale of assets	-	3	114	6	1
Write-off of long-lived assets	-	(132)	-	-	-
Equity earnings (losses):					
RBS Sempra Commodities LLP	(314)	463	383	-	-
Other	22	36	37	(9)	338
Other income (expense), net	140	149	(109)	73	43
Interest income	16	21	45	72	109
Interest expense	(436)	(367)	(253)	(272)	(351)
Income from continuing operations before income taxes and equity earnings of certain unconsolidated subsidiaries	786	1,476	1,443	1,543	1,924
Income tax expense	(102)	(422)	(438)	(524)	(641)
Equity earnings (losses), net of income tax	49	68	63	99	(182)
Income from continuing operations	733	1,122	1,068	1,118	1,101
Discontinued operations, net of income tax	-	-	-	(26)	315
Net income	733	1,122	1,068	1,092	1,416
Losses attributable to noncontrolling interests	16	7	55	17	-
Preferred dividends of subsidiaries	(10)	(10)	(10)	(10)	(10)
Earnings	$ 739	$ 1,119	$ 1,113	$ 1,099	$ 1,406
Basic earnings per share:					
Continuing operations attributable to common shares	$ 3.02	$ 4.60	$ 4.50	$ 4.34	$ 4.25
Discontinued operations, net of income tax	-	-	-	(0.10)	1.23
Basic earnings per common share	$ 3.02	$ 4.60	$ 4.50	$ 4.24	$ 5.48
Weighted-average number of shares outstanding (thousands)	244,736	243,339	247,387	259,269	256,477
Diluted earnings per share:					
Continuing operations attributable to common shares	$ 2.98	$ 4.52	$ 4.43	$ 4.26	$ 4.17
Discontinued operations, net of income tax	-	-	-	(0.10)	1.21
Diluted earnings per common share	$ 2.98	$ 4.52	$ 4.43	$ 4.16	$ 5.38
Weighted-average number of shares outstanding (thousands)	247,942	247,384	251,159	264,004	261,368
Dividends declared per share of common stock	$ 1.56	$ 1.56	$ 1.37	$ 1.24	$ 1.20

ATTACHMENT DR-24 Q18G

Consolidated Balance Sheets

Sempra Energy®

(Dollars in millions)	December 31, 2010	2009	2008	2007	2006
Assets					
Current assets:					
Cash and cash equivalents	$ 912	$ 110	$ 331	$ 668	$ 920
Short-term investments	-	-	176	-	-
Restricted cash	131	35	27	1	4
Trade accounts receivable	891	971	903	960	938
Other accounts and notes receivable	141	159	78	114	97
Due from unconsolidated affiliates	34	41	4	-	-
Income taxes receivable	248	221	195	99	-
Deferred income taxes	75	10	31	247	270
Trading assets	-	-	-	7,120	7,710
Inventories	258	197	320	224	215
Regulatory assets	90	54	121	106	193
Fixed-price contracts and other derivatives	81	77	160	28	41
Insurance receivable related to wildfire litigation	-	273	-	-	-
Settlement receivable related to wildfire litigation	300	-	-	-	-
Other	192	147	130	397	316
Current assets of continuing operations	3,353	2,295	2,476	9,964	10,704
Current assets of discontinued operations	-	-	-	-	62
Total current assets	3,353	2,295	2,476	9,964	10,766
Investments and other assets:					
Restricted cash	27	-	-	-	-
Regulatory assets arising from pension and other postretirement benefit obligations	869	959	1,188	162	356
Regulatory assets arising from wildfire litigation costs	364	-	-	-	-
Regulatory assets arising from fixed-price contracts and other derivatives	233	241	264	309	353
Other regulatory assets	701	603	534	460	472
Nuclear decommissioning trusts	769	678	577	739	702
Investment in RBS Sempra Commodities LLP	787	2,172	2,082	-	-
Other investments	2,164	2,151	1,166	1,243	1,086
Goodwill and other intangible assets	540	524	539	179	174
Sundry	600	608	709	777	615
Total investments and other assets	7,054	7,936	7,059	3,869	3,758
Property, plant and equipment:					
Property, plant and equipment	27,087	25,034	23,153	20,917	18,916
Less accumulated depreciation and amortization	(7,211)	(6,753)	(6,288)	(6,033)	(5,741)
Property, plant and equipment, net	19,876	18,281	16,865	14,884	13,175
Total assets	$ 30,283	$ 28,512	$ 26,400	$ 28,717	$ 27,699

Consolidated Statements of Operations

SDGE A Sempra Energy utility®

(Dollars in millions)	2010	2009	2008	2007	2006
	Years ended December 31,				
Operating revenues					
Electric	$ 2,535	$ 2,426	$ 2,562	$ 2,194	$ 2,147
Natural gas	514	490	689	658	638
Total operating revenues	3,049	2,916	3,251	2,852	2,785
Operating expenses					
Cost of electric fuel and purchased power	637	672	900	699	721
Cost of natural gas	217	206	415	392	380
Litigation expense	18	(5)	42	10	3
Other operation and maintenance	969	966	871	797	774
Depreciation and amortization	381	329	298	301	291
Franchise fees and other taxes	170	160	158	155	140
Gains on sale of assets	-	(1)	(3)	(2)	(1)
Total operating expenses	2,392	2,327	2,681	2,352	2,308
Operating income	657	589	570	500	477
Other income (expense), net					
Allowance for equity funds used during construction	43	29	27	17	10
Regulatory interest income (expense), net	-	5	(5)	(7)	(3)
(Losses) gains on interest rate instruments	(34)	27	(54)	(17)	-
Sundry, net	1	3	3	1	1
Total	10	64	(29)	(6)	8
Interest income	-	1	6	8	6
Interest expense	(136)	(104)	(96)	(96)	(97)
Income before income taxes	531	550	451	406	394
Income tax expense	(173)	(177)	(161)	(135)	(152)
Net income	358	373	290	271	242
Losses (earnings) attributable to noncontrolling interests	16	(24)	54	17	-
Earnings	374	349	344	288	242
Preferred dividend requirements	(5)	(5)	(5)	(5)	(5)
Earnings attributable to common shares	$ 369	$ 344	$ 339	$ 283	$ 237

Consolidated Balance Sheets

SDGE A Sempra Energy utility®

(Dollars in millions)	December 31, 2010	2009	2008	2007	2006
Assets					
Current assets:					
Cash and cash equivalents	$ 127	$ 13	$ 19	$ 158	$ 9
Short-term investments	-	-	24	-	-
Restricted cash	116	8	-	-	-
Accounts receivable - trade	248	229	225	207	206
Accounts receivable - other	59	85	30	49	26
Due from unconsolidated affiliates	12	8	29	22	24
Income taxes receivable	37	59	22	56	25
Deferred income taxes	129	41	17	67	41
Inventories	71	61	62	113	97
Regulatory assets arising from fixed-price contracts and other derivatives	66	30	94	52	83
Other regulatory assets	5	4	8	14	69
Fixed-price contracts and other derivatives	28	40	39	18	31
Insurance receivable related to wildfire litigation	-	273	-	-	-
Settlement receivable related to wildfire litigation	300	-	-	-	-
Other	50	35	15	34	54
Total current assets	1,248	886	584	790	665
Other assets:					
Due from unconsolidated affiliate	-	2	4	5	5
Deferred taxes recoverable in rates	502	415	369	312	318
Regulatory assets arising from fixed-price contracts and other derivatives	233	241	264	309	353
Regulatory assets arising from pensions and other postretirement benefit obligations	279	342	393	162	220
Regulatory assets arising from wildfire litigation costs	364	-	-	-	-
Other regulatory assets	73	53	59	48	59
Nuclear decommissioning trusts	769	678	577	739	702
Sundry	56	43	154	123	72
Total other assets	2,276	1,774	1,820	1,698	1,729
Property, plant and equipment:					
Property, plant and equipment	11,247	10,156 INC. CWIP 804	9,095	8,282	7,495
Less accumulated depreciation and amortization	(2,694)	(2,587)	(2,420)	(2,271)	(2,095)
Property, plant and equipment, net	8,553	7,569	6,675	6,011	5,400
Total assets	$ 12,077	$ 10,229	$ 9,079	$ 8,499	$ 7,794

Consolidated Statements of Operations

Southern California Gas Company A Sempra Energy utility®

(Dollars in millions)	2010	2009	2008	2007	2006
	Years ended December 31,				
Operating revenues	$ 3,822	$ 3,355	$ 4,768	$ 4,282	$ 4,181
Operating expenses					
Cost of natural gas	1,699	1,343	2,841	2,420	2,410
Operation and maintenance	1,174	1,138	1,078	1,019	944
Depreciation	309	293	280	281	267
Franchise fees and other taxes	124	105	135	125	121
Total operating expenses	3,306	2,879	4,334	3,845	3,742
Operating income	516	476	434	437	439
Other income (expense), net					
Allowance for equity funds used during construction	14	10	8	5	6
Regulatory interest income (expense), net	1	(1)	(4)	(6)	(6)
Sundry, net	(3)	(2)	(2)	(2)	(1)
Total	12	7	2	(3)	(1)
Interest income	1	3	11	27	29
Interest expense	(66)	(68)	(62)	(70)	(70)
Income before income taxes	463	418	385	391	397
Income tax expense	(176)	(144)	(140)	(160)	(173)
Net income	287	274	245	231	224
Preferred dividend requirements	(1)	(1)	(1)	(1)	(1)
Earnings attributable to common shares	$ 286	$ 273	$ 244	$ 230	$ 223

Consolidated Balance Sheets

Southern California Gas Company A Sempra Energy utility®

(Dollars in millions)	December 31, 2010	2009	2008	2007	2006
Assets					
Current assets:					
Cash and cash equivalents	$ 417	$ 49	$ 206	$ 59	$ 211
Accounts receivable - trade	534	567	572	671	640
Accounts receivable - other	49	44	20	22	33
Due from unconsolidated affiliates	63	6	-	129	108
Income taxes receivable	28	35	41	-	-
Deferred income taxes	-	-	-	33	42
Inventories	105	93	167	98	106
Regulatory assets	12	9	18	40	41
Other	39	40	37	22	28
Total current assets	1,247	843	1,061	1,074	1,209
Other assets:					
Regulatory assets arising from pension and other postretirement benefit obligations	586	617	795	-	136
Other regulatory assets	123	131	105	100	95
Pension plan assets in excess of benefit obligations	-	-	-	62	8
Sundry	8	14	24	16	11
Total other assets	717	762	924	178	250
Property, plant and equipment:					
Property, plant and equipment	9,824	9,297 CWIP $260	8,814	8,446	8,148
Less accumulated depreciation and amortization	(3,802)	(3,615)	(3,448)	(3,292)	(3,248)
Property, plant and equipment, net	6,022	5,682	5,366	5,154	4,900
Total assets	$ 7,986	$ 7,287	$ 7,351	$ 6,406	$ 6,359

UCAN DATA REQUEST
UCAN-SDG&E-DR-68
SDG&E 2012 GRC – A.10-12-005
SDG&E RESPONSE
DATE RECEIVED: SEPTEMBER 2, 2011
DATE RESPONDED: SEPTEMBER 16, 2011

15. In response to UCAN DR 40, Question 7, SDG&E indicated that for investments where SDG&E has an ownership interest of 20% - 50% that it uses the Equity Method, in which "net assets" are included in "Other Investments," which is one of the four factors in the Multi-factor calculation. Has SDG&E used this Equity Method for its treatment of SONGS? If not, please explain why not and please recalculate the multi-factor calculations using the Equity Method for SONGS. If so, please explain how SDG&E did this. Please provide all workpapers associated with the responses to these questions.

SDG&E Response 15:

SDG&E holds an undivided 20% interest as a tenant in common in SONGS. The equity method of accounting is applied when equity, such as common stock, is owned. In this case, SDG&E does not own stock in SONGS, but rather owns an interest in the physical assets themselves. Accordingly, the equity method of accounting is not applicable.

16. Please provide the “net asset” value for SONGS consistent with the Equity Method used by Sempra for investments where Sempra Energy has ownership interests of 20-50%, as discussed in the question above.

SDG&E Response 16:

As noted in the response to the question above, SDG&E holds an undivided 20% interest as a tenant in common in SONGS. Accordingly, the equity method of accounting is not applicable. An alternate calculation of “net asset” value for SONGS consistent with the Equity Method has not been prepared and is not available to be provided.

16. On page BAF-6, you state, "To arrive at the forecasted rates for 2012, historical factors from 2004 – 2009 were projected using a statistical method known as a least squares formula."
   a. Please indicate whether Sempra anticipates any further divestitures during the forecast period.
   b. Please explain why the divestiture of Sempra's Energy trading should be included in the trend ("forecasting method known as a least-squares formula"), rather than treated as a one-time event that should not affect future Sempra's unregulated activity.

SDG&E Response 16:

a. While Sempra's management is always seeking beneficial transactions, no further divestitures are known about at this time.

b. Using a least-squares formula requires historical data to serve as plot-points for the future trend line. Sempra's business operations during any five-year period could potentially include acquisitions, divestitures, growth, price changes, reorganizations, etc. at any utility or unregulated business unit. Any of these business changes may have a sudden or more gradual impact, but they are reflected objectively in published year-end financial statements and headcounts. It is this data that Sempra has always used as the historical basis for the Multi-Factor forecast, and it's not clear how any such events could be excluded over the five-year period.

UCAN DATA REQUEST
UCAN-SDG&E-DR-40
SDG&E 2012 GRC – A.10-12-005
SDG&E RESPONSE
DATE RECEIVED: JULY 29, 2011
DATE RESPONDED: AUGUST 16, 2011

2) Regarding the "Multifactor-Basic" cost allocation method, chart and allocations on page BAF-7:

a. Please explain what impact the outcome of Sempra's 2008 General Rate Cases have on the allocation factors used in SDG&E's 2012 GRC testimony.
b. Please state whether there is a variable in the Results of Operations model that changes the Multifactor allocation, if SDG&E or Southern California Gas receive less than requested in the 2012 GRCs.
c. For the forecast of revenues, please indicate what was forecast for fuel and purchased power for San Diego and for purchased natural gas for Southern California Gas. Please also indicate the numbers in 2009 and the forecast for 2012.
d. Please explain how shedding Sempra's energy trading businesses changed allocation (of costs using the "Multi-Factor Basic" method) of Board of Directors and other costs to utilities/ vs. Sempra Global. Your response should identify the allocation of costs that would have resulted, had Sempra Global not divested itself of its former energy trading business.

SDG&E Response:

a. The outcome of the 2008 General Rate Case had no impact on the formula or methodology used in the 2012. Sempra Energy's process is consistent with all prior cases; it takes the factors from GAAP-based published financial statements and HR system reports (for FTEs) to forecast the trend.

b. The Results of Operations (RO) Model does not calculate Corporate Center allocations. They are calculated in Corporate Planning's budget system, and the utilities' share is delivered, escalated, to the RO Model by FERC account. The Multi-Factor allocation would continue to be calculated as before, even if Sempra Energy receives less than requested in the 2012 GRC.

c. Please note the 2012 forecast Multi-Factor Basic is a statistical point based on prior year actual financials. Sempra Energy did not use forecast revenues in the formula. The historical actuals are shown in revised workpapers at BAF-WP-533 and were provided in more detail in response to UCAN-24, Question 18-19.

d. In 2007, the Commodities share of the Multi-Factor was 10.33%, and in 2008 after the sale to RBS it was 1.26%. The difference impacted all the other Sempra business units generally in proportion to their Multi-Factor share. Because it is neither relevant to nor performed by Sempra Energy as of 2008, any alternate calculation of the factor has not been prepared.

UCAN DATA REQUEST
UCAN-SDG&E-DR-40
SDG&E 2012 GRC – A.10-12-005
SDG&E RESPONSE
DATE RECEIVED: JULY 29, 2011
DATE RESPONDED: AUGUST 16, 2011

25) Referencing SDG&E's response to UCAN DR-31, Question 9:
SDG&E focuses on growth SDG&E increasing audit risk related to new property, plant and equipment. Please identify

a. SDG&E's annual recorded 2005-2010 and forecasted 2010-2015capital investment in Sunrise Powerlink,
b. SDG&E's annual recorded 2005-2010 and forecasted 2010-2015 non-replacement-related capital investment excluding the capital investment in Sunrise Powerlink identified in your response to Part A of this request.
c. SDG&E's annual recorded 2005-2010 and forecasted 2010-2015 incremental number (e.g., for 2005 the increment would be between 2004 and 2005) of contracts and cost of contracts related to compliance with the Renewable Portfolio Standard, net of non-renewable contracts that are displaced,
d. Sempra's annual recorded 2005-2010 and forecasted 2010-2015 capital investment in its Mexican natural gas pipeline/ compressor infrastructure in Sonora (including the initial invests to acquire the facilities).
e. Sempra's annual recorded 2005-2010 and forecasted 2010-2015 capital investment in Chilquinta Energia and Luz del Sur, in Chile and Peru (including the initial invests to acquire the Chilean and Peruvian utilities).

SDG&E Response:

a. SDG&E began substantial spending on the Sunrise Powerlink project in 2009, and spending through the end of 2010 was $613 million. The total estimated cost of the project remains unchanged at $1.883 billion, and the remaining project costs are expected to be incurred in 2011 and 2012. The anticipated completion date is 2012.

Year	***$ in Millions***
2009	$ 235
2010	$ 378
2011-12	$1.3 billion
Total	$1.9 billion

b. The following table summarizes the SDG&E non-replacement-related capital investment for 2005-2010, excluding the Sunrise Powerlink project. For the 2011-2015 forecasted capital investment, please refer to slide 6 of the March 23, 2011 SDG&E Analyst Conference presentation (PDF attached):

20110810174034.pd
f

Capital Expenditures & Investments ($ millions)

- Average of $3.1 billion per year
- Acquisition of partner's interest in South American electric utilities included in 2011

	2010 Actual	2011 Outlook	2012 Outlook	2013-2015 Average
San Diego Gas & Electric	$ 1,210	$ 1,900	$ 1,680 - $ 1,780	$ 950 - $ 1,050
Southern California Gas	503	700	700 - 800	830 - 930
Utilities	1,713	2,600	2,380 - 2,580	1,780 - 1,980
Generation	346	200	600 - 650	650 - 750
Pipelines & Storage	590	1,175	315 - 365	145 - 195
LNG	18	20	5 - 15	5 - 15
Non-Utilities	954	1,395	920 - 1,030	800 - 960
Parent & Other	6	(180) (1)		
Total	$ 2,673	$ 3,815	$ 3,300 - $ 3,610	$ 2,580 - $ 2,940

(1) Represents consolidation elimination associated with SDG&E's scheduled purchase of Sempra Generation's El Dorado power plant

Sempra Energy®

Response to Question 25b (Continued)

($ in Millions)	2005	2006	2007	2008	2009	2010
New Generation	35	481	15	28	18	1
SONGS SGRP	-	25	10	13	44	48
Substation Expansion	-	-	-	-	9	7
AMI	-	-	16	42	72	194
Otay Metro Powerloop	-	124	21	-	-	-

Note: Excludes AFUDC

c. SDG&E does not have forecasted number of contracts and cost of contracts related to compliance with the Renewable Portfolio Standard beyond 2011. To ensure compliance with the Renewable Portfolio Standard, SDG&E expects that the number of contracts and costs thereof will continue to increase between 2012 and 2015, as numerous contracts already executed begin deliveries. Of the contracts that have begun deliveries, below are the annual recorded 2005-2010 and the 2011 forecasted incremental number and incremental cost of those contracts.

Year	Incremental Contracts	Cost *$ in Millions*
2005		$7
2006	1	$5
2007	2	($2)
2008		$13
2009	3	$40
2010	2	$13
2011	2	$12

d. The investment in Mexican pipeline and natural gas infrastructure is disclosed in Note 3 of Sempra Energy's 2010 Annual Report (see page 110). The 2010 capital expenditure was $292 million, net of cash acquired. For 2011-2015 forecast capital investments by Sempra Global, please refer to slide 6 of the March 23, 2011 SDG&E Analyst Conference presentation -- attachment provided in (b) above.

e. Sempra Energy's investments in Chile and Peru are disclosed in Note 4 in each of Sempra Energy's Annual Reports. The value of ownership in these previously unconsolidated subsidiaries changes primarily due to foreign currency effects. For 2011-2015 forecast capital investments by Sempra Global, please refer to slide 6 of the March 23, 2011 SDG&E Analyst Conference presentation -- attachment provided in (b) above.

UCAN DATA REQUEST
UCAN-SDG&E-DR-31
SDG&E 2012 GRC – A.10-12-005
SDG&E RESPONSE
DATE RECEIVED: JULY 14, 2011
DATE RESPONDED: AUGUST 5, 2011

3. Sempra states (at MRN-6, lines 26-28, of SDG&E-1), "In total, SDG&E, SoCal Gas, and corporate center were able to complete this reorganization with a net decrease in costs." Please

    a. Explain in detail what Sempra means by this statement. i.e., does Sempra intend for this statement to mean that *its overall expenses* incurred by Utilities will decline as a result of the change. Or it can also mean that the overall expenses incurred by Utilities will be less than they otherwise would have been without the reorganization, but that, notwithstanding the latter hypothetical situation, the 2012 expenses incurred by the Utilities will still be larger than they were in 2009, regardless of whether or not the forecasted expenses are forecasted to be smaller than they might otherwise have been without the 2010 Reorganization. Thus please clarify your assertion to be clearer about the nature of the "net decrease" in costs.
    b. Provide a narrative explanation detailing how shifting expense-generating employees and functions from the Corporate Center and Global to Utilities decreases Utility expenses. Please include in, but do not necessarily limit, your discussion to where the efficiencies arise.
    c. The expressed goal of the reorganization was to "give the business entities more control and accountability for their respective businesses," per SDG&E-23 at p. BAF-10. Is it SDG&E's contention that it can give Utilities more control and accountability at less cost than it did when it was shared with Corporate Center and Global?

SDG&E Response:

a. The statement means the 2010 reorganization alone did not create higher expenses for SDG&E, SoCalGas or Sempra Energy Corporate Center. The statement was not intended to apply to overall expenses as presented in this GRC.

b. Shifting some functions from Corporate Center (none came from Global) to the Utilities did not necessarily decrease utility expenses or provide efficiencies. For some functions, there may have been a decrease, for others an increase. The intent was to achieve all transferred functions with a minimal net impact on costs. There have been numerous exhibits provided in testimony and data requests that illustrate the net impact, recapped in the following Question 4.

c. SDG&E favored the reorganization because, for certain functions, it wanted its own dedicated staff, reporting to SDG&E officers and focusing on utility priorities, rather than relying on a shared service group from Corporate Center. The benefit would be the direct control and accountability mentioned in testimony, not an expectation of lower costs. Many functions remain at Corporate Center and provide a high level of efficiency operating as shared services.

DRA DATA REQUEST
DRA-SDG&E-001-DFB
SDG&E 2012 GRC
SDG&E RESPONSE
DATE RECEIVED: OCTOBER 5, 2010
DATE RESPONDED: OCTOBER 20, 2010

15. Cost Center 1100-0012 Corporate Acct Special Projects replaces cost center 1100-0345 Dir of Corp Finl Acctg. Please provide a detailed explanation for this change in cost centers.

SDG&E Response:

In 2010, the Financial Accounting Director was set to retire and the cost center was discontinued. Cost center 1100-0112 was established and staffed by a director from Global, whose position was eliminated in the corporate reorganization. This new cost center assumed the responsibilities of the former Financial Accounting Director, as well as additional Accounting Research duties.

16. In addition, cost center 1100-0044 was merged in cost center 1100-0012; please provide a detailed explanation for this merger. Further, what happened to the 2 FTEs from cost center 1100-0044?

SDG&E Response:

As part of the corporate reorganization in 2010, the Accounting department was realigned as shown in BAF-WP-36. Cost center 1100-0044 had only 1 FTE and oversaw aspects of both the non-regulated and regulated businesses. Those non-regulated business functions and the 1 FTE were transferred to a Global business unit. The remaining shared services functions were transferred to existing cost center 1100-0012, with no additions of staff.

24. Cost Center 1100-0047 Financial Reporting Direc – an adjustment of ($187,000) for non-recurring computer software implementation in 2009. Please provide a detailed explanation and supporting documentation/calculations Corporate Center used to determine this adjustment.

SDG&E Response:

In 2009, the Financial Reporting group (cost center 1100-0047) implemented the Clarity FSR software program. The cost of this program was split between the licensing fees of approximately $116K and consulting fees of $71K.

DRA DATA REQUEST
DRA-SDG&E-019-DFB
SDG&E 2010 GRC
SDG&E PARTIAL RESPONSE
DATE RECEIVED: NOVEMBER 4, 2010
DATE RESPONDED: NOVEMBER 19, 2010

12. **Question 29a:** Corporate Center's response was vague and lacks specifics as to the "expanded business operations." Provide specifics on the expanded business operations not ambiguous response such as "described in the prepared direct testimony of multiple SDG&E and SoCalGas witnesses…"

SDG&E Response:

Growing operations at SDG&E and SoCalGas are related primarily to significant capital programs separately approved by the CPUC, such as the Sunrise Powerlink at SDG&E, Smart Grid at SDG&E and Smart Meter initiatives at both utilities. In addition, further expanded business operations are discussed in the NOI testimony of SDG&E Electric Distribution – (Exhibit SDG&E-06), Gas Engineering (Exhibits SDG&E-04/SoCalGas -05), Gas Distribution (Exhibits SDG&E-02/SoCalGas-02).

DRA DATA REQUEST
DRA-SDG&E-001-DFB
SDG&E 2012 GRC
SDG&E RESPONSE
DATE RECEIVED: OCTOBER 5, 2010
DATE RESPONDED: OCTOBER 20, 2010

30. On page BF-WP-73, Allocation Reconciliation for A-3 Tax Services, for each of the following items please provide a detailed explanation, cross reference to sub-sections, and supporting documentation:
    a. Impact of staff transfers within Tax Services; no overall increase in FTES ($60,000);
    b. Non-recurring direct charged Consulting and Labor costs in 2009 ($319,000);
    c. Software maintenance fees on new tax system planned in 2012 $82,000;
    d. Contract labor to manage seasonal workload peaks and expected vacancies $370,000.

SDG&E Response:

Variance Explanation	**Cross-references**	**Supporting Information**
Impact of staff transfers within Tax Services; no overall increase in FTE's.	A-3.1, A-3.3, A-3.4, A-3.5, A-3.6	Labor changes are the difference between the recorded salaries in 2009 and the budgeted salaries in 2012. The recorded salaries can reflect vacancies, employee transfers, and leaves of absence, and one-time bonuses, while the budgeted salaries are generally full time with no unusual items requested.
Non-recurring direct charged Consulting and Labor costs in 2009.	A-3.4, A-3.5, A-3.6	See also response to question #32.
Software maintenance fees on new tax system planned in 2012.	A-3.3	Based on fees for One Source and Sage Asset software.
Contract labor to manage seasonal workload peaks and expected vacancies.	A-3.4	See also response to question #32.

32. In 2008 Corporate Center had 4 FTEs at the labor cost of $763,000 and in 2009 had 1 FTE at labor cost of $650,000. Please provide a detailed explanation how Corporate Center went from 4FTEs to 1FTE but labor costs only decreased by $113,000.

SDG&E Response:

Tax Services revised its organizational structure several times in the past years. The purpose of the changes was to better align job functions within individual cost centers. This resulted in variances at the cost center level that fluctuate between years and do not actually represent a true change in overall costs. To understand the changes that did occur, it is reasonable to look at Tax Services overall, instead of at individual cost centers.
Because of its specialized nature, Tax Services is challenged in recruiting and retaining qualified employees. It is not uncommon for this department to have non-recurring expenses, such as signing bonuses, recruiting, and relocation expenses that other departments do not have, and that can cause fluctuations year-to-year that are not relative to FTEs. In addition, because of the long-term vacancies, contractors (non-labor) are often used, sometimes at a higher cost to the company.

Please refer to NOI workpaper page BF-WP-71 for the combined results for Tax Services.

14. **Question 30a and b:** For the cross references, please provide a breakdown of each adjustment.

SDG&E Response:

For Tax Services (A-3), please see the breakdown below of the variances listed on WP-BAF-72 for items (a) and (b).

a) Impact of staff transfers within Tax Services; no overall increase in FTE's.

		Total	
A-3.1	1100-0046-VP OF CORPORATE TAX	$ 40	BAF-WP-75
A-3.2	1100-0045-CORPORATE TAX ACCTG & SYSTEMS	(466)	BAF-WP-78
A-3.3	1100-0373-DOMESTIC TAX COMPLIANCE	308	BAF-WP-81
A-3.4	1100-0374-INTL TAX	199	BAF-WP-84
A-3.5	1100-0376-TRANSACTIONAL TAX	57	BAF-WP-86
A-3.6	1100-0399-TAX LAW GROUP	(199)	BAF-WP-90
Total		**$ (60)**	

b) Non-recurring direct charged Consulting and Labor costs in 2009.

		Total	
A-3.4	1100-0374-INTL TAX	$ (213)	BAF-WP-84
A-3.5	1100-0376-TRANSACTIONAL TAX	(19)	BAF-WP-86
A-3.6	1100-0399-TAX LAW GROUP	(85)	BAF-WP-90
Total		**$ (318)**	

22. **Question 38:** Corporate Center stated: "This cost center relates to the International Tax Group within the Sempra Tax Department. This cost center includes charges related to Sempra employees and external contractors that are responsible for international tax matters, consisting of both tax compliance and tax planning. These matters include preparation of non-U.S. tax returns and tax planning related to mergers, acquisitions, divestitures, and restructurings." How does these functions relate to SDG&E and SCG?

SDG&E Response:

International tax matters do not relate directly to SDG&E and SoCalGas. The Tax Services department is grouped into five cost centers that focus on certain functions, but for allocation purposes, the department's *overall* effort is taken into consideration, and each cost center uses the same average allocation rates. For example, some of the cost centers do work mostly on Global or M&A matters and their 2012 allocation to utilities is 40%. Some of the cost centers work mostly on Utility matters, and their 2012 allocation to utilities is also only 40%. It should be recognized that the allocation from Tax Services is very reasonable when viewed over the whole department, not by individual cost centers. This is discussed in NOI testimony at the top of page BF-19.

2. Ref. 1100-0374 – Intl Tax
Is this Intl Tax an abbreviation for International Tax? If so, please explain with supports why SDG&E and SoCalGas should be responsible for or share the International Tax. For SDG&E, the cost totaled $337,319 in 2009.

UTILITY RESPONSE02:

Yes, the cost center 1100-0374 is International Tax (A-3.4), which is one of five cost centers within the larger Tax Services group (A-3).

For allocation purposes, the department's *overall* effort is taken into consideration, and each cost center uses the same average allocation rates. For example, some of the cost centers do work mostly on Global or M&A matters and their 2012 allocation to utilities is 40%. Some of the cost centers work mostly on Utility matters, and their 2012 allocation to utilities is also only 40%. It should be recognized that the allocation from Tax Services is very reasonable when viewed over the whole department, not by individual cost centers.

This is discussed in testimony at page BAF-19 and was also the subject of data request DRA-SDG&E-019-DFB, Question 22.

DRA DATA REQUEST
DRA-SDG&E-019-DFB
SDG&E 2010 GRC
SDG&E UPDATED RESPONSE
DATE RECEIVED: NOVEMBER 4, 2010
DATE RESPONDED: JANUARY 6, 2011

31. Question 56: Please provide the supporting documentation as originally requested.

SDG&E REVISED Response 31:

Per agreement with DRA, the following updated information is being provided after SDG&E has filed its TY 2012 GRC application.

The forecast direct assignments, as shown in workpaper BAF-WP-107, includes the estimated service charges for each utility's operational bank accounts, plus the upfront and annual fees for the utilities' $800 million line of credit (LOC), which is shared by SDG&E and SoCal Gas. Fees are current market-rate basis points (bps) on the amount of the line. Since the LOC is expected to renew every third year, the upfront and arrangement fees, which are only paid in the renewal year, are "smoothed" to include an average amount in each year for 2010-2012.

Workpaper A-4.5 (Cost Center 1100-0224)	**2010**	**2011**	**2012**
SDG&E $400 Million Line of Credit			
Annual Facility Fee - 22.5 bps as of October 2010	$ 483,333	$ 900,000	$ 900,000
Administrative Fee	25,000	25,000	25,000
(a) Upfront Fee - 65 bps in 2010	2,600,000	-	-
(a) Arrangement Fee	200,000	-	-
GRC Averaging Adjs = sum of (a)'s / 3 yrs	(1,867,000)	933,000	933,000
Total Line of Credit Fees	1,441,333	1,858,000	1,858,000
Bank Service Charges - SDG&E	450,000	450,000	450,000
Total Direct Assignments	$ 1,891,333	$ 2,308,000	$ 2,308,000
SoCal Gas $400 Million Line of Credit			
Annual Facility Fee - 22.5 bps as of October 2010	$ 483,333	$ 900,000	$ 900,000
Administrative Fee	25,000	25,000	25,000
(a) Upfront Fee - 65 bps in 2010	2,600,000	-	-
(a) Arrangement Fee	200,000	-	-
GRC Averaging Adjs = sum of (a)'s / 3 yrs	(1,867,000)	933,000	933,000
Total Line of Credit Fees	1,441,333	1,858,000	1,858,000
Bank Service Charges - SoCal Gas	1,400,000	1,400,000	1,400,000
Total Direct Assignments	$ 2,841,333	$ 3,258,000	$ 3,258,000

Bank service charges were estimated based on each utility's historical actuals, which can vary annually depending on volume and average cash balances:

($ - 000's)	**Recorded**					**Forecast**			**Average**
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2005-09**
Bank Service Charges									
SDG&E	554	458	371	436	487	450	450	450	461
SoCal Gas	1,648	1,635	1,461	1,404	1,312	1,400	1,400	1,400	1,492
Global/Parent	59	(33)	180	175	201	210	210	210	116
Total	2,261	2,060	2,012	2,015	2,000	2,060	2,060	2,060	2,070

DRA DATA REQUEST
DRA-SDG&E-034-DFB
SDG&E 2012 GRC – A.10-12-005
SDG&E RESPONSE
DATE RECEIVED: FEBRUARY 10, 2011
DATE RESPONDED: FEBRUARY 28, 2011

2. On page BAF-WP-161, Corporate Center adjusts the 2009 Base Year for "[n]ew cost center created to oversee Risk Management practices." Where in Sempra's testimony does it discuss this new cost center? Provide a specific page cite in Corporate Center's testimony.

SDG&E Response:

Corporate Center's testimony describes the Risk Management department on page BAF-25, and the table on that page shows a forecast for costs that did not exist in 2009 in cost center 1100-0010. It is also included at the bottom of page BAF-14 as an item in the overall increase in Finance functions. Please also refer to previous responses to DRA data requests related to this new cost center in DRA-SDG&E-001-DFB (Q9) and follow up request DRA-SDG&E-019-DFB (Q4). Those responses have been attached here for convenient reference.

Excerpt Q4
DRA-SDGE-019-DFI

Excerpt Q9
DRA-SDG&E-001-D

DRA DATA REQUEST
DRA-SDG&E-019-DFB
SDG&E 2010 GRC
SDG&E PARTIAL RESPONSE
DATE RECEIVED: NOVEMBER 4, 2010
DATE RESPONDED: NOVEMBER 19, 2010

4. **Question 9:** Corporate Center stated: The Allocation Reconciliation on NOI workpaper page BAF-WP-18 is a summary of the entire Finance area, with an overall reduction of 3 FTEs. The Risk Management department is a new department created in 2010 to identify exposures to loss, and to propose and facilitate the implementation of loss control activities primarily for SDG&E. The need for staffing this department was initiated with the litigation that resulted from the wildfires in 2007 and the heavy workload associated with processing numerous claims. By 2012, it is expected that this workload will be shifted to analysis of many other financial, operational, and economic areas of risk throughout the company. Thus, the allocation used in 2012 will change to a Multi-Factor Split. Although the testimony does not specifically discuss the added FTEs, see the NOI testimony at page BF-24, section A-7 for a more detailed description of the department functions." How did Corporate Center determine the need for a new department? Please provide all supporting documentation that was used to determine this need.

SDG&E Response:

The new department arose from increased lawsuits and litigation that resulted from the wildfires in 2007. Please refer to the attached excerpt from Sempra's 10-Q filing from November 9, 2010, which discusses in more detail the significant increase in lawsuits as a result of the fire. The considerable increase in lawsuits required an increase in financial risk analysis resources; and, the decision was made to perform this function in-house. Prior to the creation of this cost center, this analysis was being performed by outside counsel or consultants.

Q3 10-Q Question
#4 DRA-019.pdf

2011/2012 policy period. The CPUC's rules allow a utility to seek recovery of incurred costs that meet certain criteria, subject to a $5 million deductible per event. SDG&E has asked that the increase in liability insurance costs for the 2009/2010, 2010/2011 and the first six months of the 2011/2012 policy periods be deemed a single event subject to one $5 million deductible. In the nine months ended September 30, 2010 and 2009, SDG&E's after-tax earnings were adversely impacted by $20 million and $5 million, respectively, due to the incremental insurance premiums associated with its wildfire coverage.

EXCESS WILDFIRE CLAIMS COST RECOVERY

SDG&E and SoCalGas filed an application, along with other related filings, with the CPUC in August 2009 proposing a new mechanism for the future recovery of all wildfire-related expenses for claims, litigation expenses and insurance premiums that are in excess of amounts authorized by the CPUC for recovery in rates. In connection with these filings, SDG&E is seeking the recovery of costs incurred by SDG&E for the 2007 wildfire losses that are in excess of amounts recovered from its insurance coverage and other potentially responsible third parties, as well as similar costs for future wildfires, if and when incurred. The application for a new mechanism for recovery of costs incurred for future wildfires was made jointly with Edison and PG&E. In July 2010, the CPUC approved the utilities' requests for separate regulatory accounts to record the subject expenses while the joint utility application is pending before the CPUC. Several parties protested the original application and, in response, the utilities submitted an amended application in July 2010. A proceeding schedule has not yet been established.

We provide additional information about 2007 wildfire litigation costs and their recovery in Note 10.

NOTE 10. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

We record loss reserves for legal proceedings when it is probable that a loss has been incurred and the amounts of the loss can be reasonably estimated. However, the uncertainties inherent in legal proceedings make it difficult to estimate with reasonable certainty the costs and effects of resolving these matters. Accordingly, actual costs incurred may differ materially from reserved amounts, may exceed applicable insurance coverages and could materially adversely affect our business, cash flows, results of operations, and financial condition.

At September 30, 2010, Sempra Energy’s reserves for material legal proceedings, on a consolidated basis, were $619 million, of which $150 million is offset by an insurance receivable for wildfire litigation and $102 million is for previously resolved matters. At September 30, 2010, these reserves for SDG&E and SoCalGas were $345 million (also offset by the $150 million insurance receivable) and $13 million, respectively. We provide additional information about previously resolved matters in Note 17 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E 2007 Wildfire Litigation

In October 2007, San Diego County experienced several catastrophic wildfires. Reports issued by the California Department of Forestry and Fire Protection (Cal Fire) concluded that two of these fires (the Witch and Rice fires) were SDG&E "power line caused" and that a third fire (the Guejito fire) occurred when a wire securing a Cox Communications' fiber optic cable came into contact with an SDG&E power line "causing an arc and starting the fire." Cal Fire reported that the Rice fire burned approximately 9,500 acres and damaged 206 homes and two commercial properties, and the Witch and Guejito fires merged and eventually burned approximately 198,000 acres, resulting in two fatalities, approximately 40 firefighters injured and approximately 1,141 homes destroyed.

A September 2008 staff report issued by the CPUC's Consumer Protection and Safety Division reached substantially the same conclusions as the Cal Fire reports, but also contended that the power lines involved in the Witch and Rice fires and the lashing wire involved in the Guejito fire were not properly designed, constructed and maintained. In November 2008, the CPUC initiated proceedings to determine if any of its rules were violated and in October 2009, SDG&E and the Consumer Protection and Safety Division entered into a settlement agreement, approved by the CPUC in April 2010, that resolves these proceedings by SDG&E's payment of $14.75 million.

Numerous parties have sued SDG&E and Sempra Energy in San Diego County Superior Court seeking recovery of unspecified amounts of damages, including punitive damages, from the three fires. These include owners and insurers of properties that were destroyed or damaged in the fires and public entities seeking recovery of firefighting, emergency response, and environmental costs. They assert various bases for recovery, including inverse condemnation based upon a California Court of Appeal decision finding that another California investor-owned utility was subject to strict liability, without regard to foreseeability or negligence, for property damages resulting from a wildfire ignited by power lines. In October 2010, the court of appeal affirmed the trial court's ruling that these claims must be pursued in individual lawsuits (rather than as class actions on behalf of all persons who incurred wildfire damages). SDG&E has filed cross-complaints against Cox Communications seeking indemnification for any liability that SDG&E may incur that relates to the Guejito fire, two SDG&E contractors seeking indemnification in connection with the Witch fire, and one SDG&E contractor seeking indemnification in connection with the Rice fire. The court has scheduled a Guejito fire trial for two individual plaintiffs to begin in March 2011.

SDG&E has settled substantially all of the 19,000 claims of homeowner insurers relating to the three fires, including claims for payment by the insurers to their policyholders for approximately 1,000 of the 1,300 houses, mobile homes, and apartment units identified in public records as having been destroyed. Under the settlement agreements, SDG&E has paid or will pay 57.5 percent of the approximately $1.6 billion paid or reserved for payment by the insurers to their policyholders and received an assignment of the insurers’ claims against Cox Communications and other parties potentially responsible for the fires.

The wildfire litigation also includes claims of non-insurer plaintiffs for damage to uninsured and underinsured structures, business interruption, evacuation expenses, agricultural damage, emotional harm, personal injuries and other losses. SDG&E has settled the claims of approximately 450 of these plaintiffs. Of the approximately 2,500 remaining plaintiffs, approximately 1,200 have thus far submitted settlement demands or damage information. Individual and business claims total approximately $825 million and government entity claims total approximately $150 million. SDG&E expects to receive additional settlement demands and damage estimates as settlement negotiations continue.

SDG&E's settlements and defense costs have exceeded its $1.1 billion of liability insurance coverage. SDG&E has established reserves for its estimated cost of resolving the remaining claims for damages of approximately 1,300 plaintiffs. It expects that its wildfire reserves and amounts paid to resolve wildfire claims will continue to increase as it obtains additional information and is unable to reasonably estimate the amount or timing of recoveries from other potentially responsible parties.

SDG&E has concluded, however, that it is probable that it will be permitted to recover from its utility customers substantially all reasonably incurred costs of resolving wildfire claims in excess of its liability insurance coverage and any amounts recovered from other potentially responsible parties. Accordingly, although recovery from utility customers will require future regulatory actions as we discuss in Note 9, SDG&E has recorded a regulatory asset in an amount substantially equal to the aggregate amount it has paid or reserved for payment for the resolution of wildfire claims and related costs in excess of its liability insurance coverage. SDG&E will increase the amount of the regulatory asset as additional amounts are paid or reserves are recorded and reduce it by any amounts recovered from other potentially responsible parties. As of September 30, 2010, the amount of the regulatory asset was $311 million.

Consequently, Sempra Energy and SDG&E expect no significant earnings impact from the resolution of the remaining wildfire claims. However, SDG&E’s cash flow will be adversely affected by timing differences between the resolution of claims and recoveries from other potentially responsible parties and utility customers, which may extend over a number of years. Also, recovery from customers will require future regulatory actions, and a failure to obtain recovery, or any negative assessment of the likelihood of recovery, would likely have a material adverse effect on Sempra Energy's and SDG&E's cash flows and results of operations.

SDG&E will continue to gather information to evaluate and assess the remaining wildfire claims and the likelihood, amount and timing of related recoveries from other potentially responsible parties and utility customers and will make appropriate adjustments to wildfire reserves and the related regulatory asset as additional information becomes available.

Sempra LNG

Sempra LNG has been engaged in a long-running land dispute relating to property adjacent to its Energía Costa Azul liquefied natural gas (LNG) receipt terminal near Ensenada, Mexico. The adjacent property is not required by environmental or other regulatory permits for the operation of the terminal. A claimant to the adjacent property has nonetheless asserted that his health and safety are endangered by the operation of the facility. In June 2010, a Mexican federal appeals court revoked a district court order, issued at the behest of the claimant, directing Mexican regulatory authorities to provisionally suspend authorizations for the operation of the LNG terminal. No terminal permits were affected as a result of these proceedings and the terminal has continued to operate normally. The Mexican district court is expected to conduct additional proceedings regarding the claimant’s assertions and whether the terminal’s permits should be modified or revoked.

The property claimant has also filed a lawsuit in U.S. district court in San Diego seeking compensatory and punitive damages and earnings from the Energía Costa Azul LNG terminal based on his allegations that he was wrongfully evicted from the adjacent property and that he has been harmed by other allegedly improper actions.

9. Corporate Center indicates that for the items listed above there will be an increase in FTE's of 6. Please provide a specific site in Corporate Center's testimony that addresses the need for this increase in FTEs.

SDG&E Response:

The Allocation Reconciliation on NOI workpaper page BAF-WP-18 is a summary of the entire Finance area, with an overall reduction of 3 FTEs. The Risk Management department is a new department created in 2010 to identify exposures to loss, and to propose and facilitate the implementation of loss control activities primarily for SDG&E. The need for staffing this department was initiated with the litigation that resulted from the wildfires in 2007 and the heavy workload associated with processing numerous claims. By 2012, it is expected that this workload will be shifted to analysis of many other financial, operational, and economic areas of risk throughout the company. Thus, the allocation used in 2012 will change to a Multi-Factor Split. Although the testimony does not specifically discuss the added FTEs, see the NOI testimony at page BF-24, section A-7 for a more detailed description of the department functions.

DRA DATA REQUEST
DRA-SDG&E-027-DFB
SDG&E 2012 GRC
SDG&E RESPONSE
DATE RECEIVED: NOVEMBER 19, 2010
DATE RESPONDED: DECEMBER 10, 2010

Exhibit Reference: SDG&E-23/SCG17 Corporate Center Testimony and Workpapers

Subject: Governance Follow to DRA-SDG&E-004-DFB

Please provide the following:

1. In response to DRA-SDG&E-004-DFB, Question 2, Corporate Center states: "While there were a number of staff reductions made in the 2010 reorganization from various functions, Corporate Center faces offsetting costs and staffing needs in other services to support the business units. This was discussed in NOI testimony in the second paragraph shown on page BF-10." The last sentence on page BF-10 states: "Additionally, governance over expanded assets requires some commensurate growth in services such as Planning, Internal Audit and Risk Management."

    a. Please explain where in the second paragraph of page BF-10 of the NOI testimony it was stated that the "Corporate Center faces offsetting costs and staffing needs in other services to support the business units." Please describe with particularity such offsetting costs and staffing needs in other services.

    b. Please describe with particularity to what "expanded assets" in the last sentence was referring to.

    c. Please explain with particularity why governance over "expanded assets" requires growth in Internal Audit.

    d. Please explain how such growth in Internal Audit is "commensurate" with the "expanded assets."

SDG&E Response 1:

(a) The paragraph starting on Line 11 of the NOI Testimony, page BF-10, describes the current environment of capital growth and the resulting pressures on certain types of support services, specifically Finance and Legal functions. The testimony and workpapers for those areas do contain requests for increased staffing or costs:

- Accounting (A-2) – The workpaper on page BAF-WP-27 indicates increased audit fees from Deloitte as a result of growth, for a $668K increase to the utilities.

Question 1 continued.

- Treasury (A-4) – The workpaper on page BAF-WP-93 indicates higher fees for renewing lines of credit. While the fees are not impacted by growth, maintaining the level of short-term credit is essential to the utilities in funding their capital projects, and the market conditions for credit is more expensive than in prior years. Please note the amount of cost increase shown in the NOI will be reduced significantly in the Application filing.
- Risk Management (A-7) – The workpaper on page BAF-WP-158 indicates additional FTE's in this new cost center, for a $372K increase to the utilities.
- Internal Audit (B-1) – The workpaper on page BAF-WP-183 indicates 5 additional FTE's to handle additional audit volume, for a $304K increase to the utilities.
- Legal (C-2) – The workpaper on page BAF-WP-243 indicates 2 additional FTE's due to anticipated growth, for a $307K increase to the utilities.

(b) The same paragraph starting on Line 11 of the NOI Testimony, page BF-10, describes "new investments in electric generation, transmission, gas infrastructure, and new metering technology". These investments are also known by project names such as El Dorado Energy, Sunrise Powerlink, Smart Meter (SDG&E) and AMI (SoCalGas).

(c) These projects will generate new requirements in Internal Audit for project management and contract compliance audits, valuation audits, additional evaluation of internal controls for ongoing operations, additional compliance-related audits (e.g. NERC standards), safety audits, environmental audits, etc.

(d) Besides the staffing needed to perform the requirements just mentioned, there is a correlation in companies of overall asset volume to the size of audit staff. To illustrate, below is an excerpt page from a recent benchmarking study from the Institute of Internal Auditors, which shows average results from Gas & Electric Utilities with various asset sizes (see middle table). The size of the audit staff increases in each category.

4. Internal Audit (B-1) consists of six sub-sections as shown on BF-29. For each sub – section please provide a detailed description of the functions of each sub-section.

SDG&E Response:

The six sub-sections described below segregate Audit Services functionally for the management of costs and administrative reporting responsibilities.

1100-0349 VP Audit Services	The VP reports functionally through the Audit Committee to the Board of Directors, administratively reports to Sempra Energy's Executive Vice President. Overall purpose is to provide oversight for all subordinate areas below.
1100-0041 Fin & Ops (F&O I)	The Director and this team of auditors focus on financial and operational audits as well as conducting testing for SOX 404 compliance.
1100-0453 Fin & Ops II (F&O II)	The Manager and this team of auditors also focus on financial and operational audits as well as conducting testing for SOX 404 compliance.
1100-0454 Info Tech	The Director and this team of auditors focus on audits of information systems.
1100-0380 Environmental Compliance	The Manager and this team of auditors conduct environmental, health and safety audits.
1100-0050 Audit Quality Assurance	This administrative group is responsible for annual risk assessment, department metrics and reporting procedures.

19. **Cost Center 1100-0050 Audit Quality Assur:** Please provide a detailed description of this cost center. In addition, please explain why there are no costs in 2005-2008.

SDG&E Response:

The Audit Quality Assurance cost center (B-1.6) was newly created in 2009 and is responsible for annual risk assessment, department metrics and reporting procedures. Please see response to Question 4 above for a department overview.

20. **Cost Center 1100-0143 Corporate Secretary:** In 2008 labor costs were $189,000 for 3 FTEs and in 2009 were $481,000 for 3FTES. Please provide a detailed explanation why labor costs increased while FTEs remained constant.

SDG&E Response:

For the Corporate Secretary department (B-2.1), the 3rd FTE was not transferred in until late 2008, so there is nearly no labor reflected. In fact, for nearly half of 2008, the new Corporate Secretary's labor erroneously remained charged to the Law Department (from where that employee was hired from), so the labor does not represent a full year until 2009.

7. In response to DRA-SG&E-004-DFB, Question 20, Corporate Center stated: "For the Corporate Secretary department (B-2.1), the 3rd FTE was not transferred in until late 2008, so there is nearly no labor reflected. In fact, for nearly half of 2008, the new Corporate Secretary's labor erroneously remained charged to the Law Department (from where that employee was hired from), so the labor does not represent a full year until 2009."

    a. Please provide the name of the Law Department cost center that was "erroneously" charged the labor.

    b. Please provide support documenting that the new Corporate Secretary's labor was "erroneously remained charged to the Law Department."

    c. Please state when SDG&E became aware that the new Corporate Secretary's labor was erroneously charged to the Law Department.

    d. Please document any adjustments to the Law Department budget as a result of the discovery of the erroneous charge of the costs of the Corporate Secretary to the Law Department.

SDG&E Response 7:

a) The Law Department (C-2.1) is cost center 1100-0144. The current Corporate Secretary was previously an attorney in this cost center.

b) Sempra's payroll timekeeping system (WITS) controls the accounts and cost centers that each employee's time is charged to. The system has the flexibility to allow charges to cost centers other than an employee's "home" cost center, a scenario common at the utilities as workers are loaned between districts for emergencies or special projects. At Corporate Center, the flexibility allows for partial hours to be split between cost centers, when administrative assistants are shared by two departments, for example. This flexibility also creates potential for error when employees are transferred to other jobs within the same payroll entity. Even if the home cost center has been changed by HR, WITS will continue to charge the previous cost center unless the departmental timekeeper specifically changes the default payroll setup. Such errors are rare and can eventually be detected, but any corrections may result in permanent timing fluctuations, especially if across calendar years. See the response to (d) below for labor details.

DRA DATA REQUEST
DRA-SDG&E-006-DFB
SDG&E 2010 GRC
SDG&E RESPONSE
DATE RECEIVED: OCTOBER 11, 2010
DATE RESPONDED: NOVEMBER 8, 2010

3. Corporate Center states: "The General Counsel has overall responsibility for all Sempra Energy legal matters and the provision of legal services for all the Sempra Energy companies…..The General Counsel also oversees the work of all the CCLD attorneys, coordinates the retention and hiring of outside counsel, and provides legal advice to Sempra management." Does the General Counsel have any oversight and/or responsibilities to SDG&E's and SCG's attorneys?

SDG&E Response:

Sempra Energy's General Counsel does not have direct day-to-day oversight responsibilities for SDG&E and SoCalGas attorneys. However, the General Counsel performs a corporate governance control function with respect to significant legal issues facing SDG&E and SoCalGas, including reviewing major issues at SDG&E and SoCalGas to evaluate their disclosure for purposes of Securities & Exchange Commission filings or other purposes. The General Counsel also communicates regularly with both SDG&E's and SoCalGas' general counsel and other senior lawyers to develop consistent standards of legal performance and development and to coordinate the retention and hiring of outside counsel in order to ensure adherence to legal ethics and conflicts rules as well as efficiency of outside counsel retention. The General Counsel also works with the SDG&E and SoCalGas lawyers to promote company values of ethics, compliance, inclusion and diversity.

DRA DATA REQUEST
DRA –SDG&E-0280DFB
SDG&E 2012 GRC
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 7, 2010
DATE RESPONDED: DECEMBER 21, 2010

3. In response to DRA-SDG&E-006-DFB, Question 13, Corporate Center stated: "While there were a number of staff reductions made in the 2010 reorganization from various functions, Corporate Center faces offsetting costs and staffing needs in services, including Legal, to support growth at the business units. This was discussed in NOI testimony in the second paragraph, at page BF-10." Please provide the supporting justification for the increase of 2 FTEs.
    a. Provide a detailed explanation for the "[t]wo additional FTEs for anticipated growth."

SDG&E Response 3:

The Corporate Center Law Department (CCLD) continues to represent the utilities and other business units in certain unique legal practice areas, including securities (financing), real estate, labor/employment, and certain regulatory and environmental practice areas – all areas impacted by new project development. As Sempra's capital plans call for significant new utility investments in electric generation, transmission, gas infrastructure, and new metering technology, that growth creates demand on legal services at Corporate Center. Accordingly, the addition of two attorney level FTE's at CCLD is planned to augment the level of available support in the practice areas described above.

DRA DATA REQUEST
DRA-SDG&E-097-DFB
SDG&E 2012 GRC – A.10-12-005
SDG&E RESPONSE
DATE RECEIVED: JUNE 28, 2011
DATE RESPONDED: JULY 13, 2011

4. On page BAF-WP-243, Corporate Center indicates that it will add two FTEs for anticipated growth. Please provide job titles, job description, salaries, and associated non-labor costs for these FTEs.

SDG&E Response:

As also discussed in our response to DRA-SDG&E-028, Question 3, the new FTE's are attorney level staff who will focus on the corporate practice areas of securities (financing), real estate, labor/employment, and some regulatory and environmental work.

Attached are two standard job descriptions that may be used in recruiting new attorneys, but could vary depending on area of specialty sought.

20110711100550.pdf

For forecasting purposes, each FTE was budgeted at $200,000 in labor. There would also be incremental non-labor for a new FTE, such as for telephone or computer expense, but the $200,000 is an estimate that includes those expenses as well.

Counsel – Commercial Law

Primary Purpose:
Counsel will be responsible for providing legal support on a wide variety of transactional matters for Sempra Energy and its subsidiaries. This support includes assisting with the drafting and negotiation of a wide variety of transactions including power and gas commodity purchase agreements, LNG contracts, contracts for solar, wind, biomass or other renewable resources, interconnection agreements, transportation contracts and other general commercial contracts.

Counsel – Corporate Law

Primary Purpose:
Counsel will be responsible for providing legal support on a wide variety of transactional matters for Sempra Energy and its subsidiaries. This support includes assisting with the analysis of potential domestic and international transactions and drafting and negotiating such transactions, including mergers and acquisitions, joint ventures, project development and other arrangements, and the drafting and negotiating of documents relating to such transactions.

DRA DATA REQUEST
DRA-SDG&E-009-DFB
SDG&E 2010 GRC
SDG&E RESPONSE
DATE RECEIVED: OCTOBER 14, 2010
DATE RESPONDED: OCTOBER 28, 2010

17. **Government Affairs E-2:** On page 341 Allocation Reconciliation – for Evaluation of change: Consulting and additional division support after 2010 reorganization and reductions in E-3. Please provide a detailed justification for the increase in 1 FTE. Where in Corporate Center testimony is this increase in FTE discussed?

SDG&E Response:

The FTE increase in 1100-0150 (E-2.1) is not an additional staff member. It's a presentation issue in how FTE's are shown for actuals vs. budgeted periods. At Sempra, many administrative assistants support two VP's, so their costs are split between two different VP cost centers. Only one of the cost centers can be their "home" cost center for payroll and HR purposes, and that shows their actual headcount for historical periods. The budget system allows for "split" FTE's, but an entry of .5 FTE's will round up to 1 FTE in the workpaper reports. This creates the appearance of an additional FTE even though only half the salary is represented in the shared cost center. The home cost center does not have this comparison issue; the shared FTE appears as 1 in actuals and the .5 FTE in the budget also rounds up to 1 FTE.

Thus, the FTE increase shown in the workpaper at page BAF-WP-340 is not actually related to the increase in costs from 2009 to 2012. Please see the annual amounts in the workpaper at page BAF-WP-339 to see that labor costs do not increase, only non-labor costs do.

DRA DATA REQUEST
DRA-SDG&E-009-DFB
SDG&E 2010 GRC
SDG&E RESPONSE
DATE RECEIVED: OCTOBER 14, 2010
DATE RESPONDED: OCTOBER 28, 2010

24. **External Affairs E-3:** On page 359 Allocation Reconciliation – for Evaluation of change: Eliminated or transferred department, as a result of the 2010 reorganization. Please provide a detailed explanation for, cross reference to sub-sections and supporting documentation.

SDG&E Response:

The External Affairs Division cost centers were either transferred (T) to the Utilities / Global or eliminated (E). The chart below itemizes these functions discontinued at Corporate Center and workpaper references. The change represents the actual spending in 2009 for Labor and Non-Labor, while there is no forecast at Corporate Center for 2012.

E-3 External Affairs					
Eliminated / Transferred Cost Centers					
Ref. #	Cost Center	Labor	Non-Labor	Total	Elimin/Trans
E-3.1	1100-0147 EVP External Affairs	(482,148)	(166,069)	(648,217)	E
E-3.2	1100-0379 VP Regulatory Affairs	(359,301)	(207,379)	(566,680)	E
E-3.3	1100-0400 Corporate Legislative Policy	(550,182)	(117,807)	(667,988)	T
E-3.4	1100-0148 Environmental & Reg Affairs	(213,573)	(80,940)	(294,512)	E
E-3.5	1100-0006 Compliance	(281,290)	(95,372)	(376,662)	E
E-3.6	1100-0164 SVP Comms & Commuinity Partnersh	(434,707)	(50,999)	(485,707)	E
E-3.7	1100-1398 Community Rel - San Diego	(344,617)	(126,901)	(471,517)	T
E-3.8	1100-2451 Community Rel - Los Angeles	(450,638)	(96,824)	(547,462)	T
E-3.9	1100-2149 Corporate Events	(259,810)	(61,928)	(321,738)	E
E-3.10	1100-1153 State Government Affairs	(653,576)	(577,961)	(1,231,537)	T
E-3.11	1100-1160 State Regulatory Affairs	(51,487)	(11,403)	(62,890)	T
E-3.12	1100-1159 Corp Regulatory Policy	(716,391)	(96,139)	(812,530)	E
E-3.13	1100-6381 Director Gov't Affairs	(591,617)	(763,661)	(1,355,277)	T
E-3.14	1100-6452 Gas Research& Analysis	(264,880)	(354,793)	(619,673)	E
E-3.15	1100-4397 Pubic Relations - Mexico	-	(129,640)	(129,640)	T
E-3.16	1100-4394 VP Internatioal Affairs	(5,544)	(14,029)	(19,573)	E
E-3 External Affairs				(8,611,603)	

DRA DATA REQUEST
DRA-SDG&E-009-DFB
SDG&E 2010 GRC
SDG&E RESPONSE
DATE RECEIVED: OCTOBER 14, 2010
DATE RESPONDED: OCTOBER 28, 2010

14. <u>Cost Center 1100-0150 VP Corp Relations</u>: For 2006 non-labor costs were $122,000 and for 2007 costs were $503,000. Please provide a detailed explanation for the increase in non-labor costs.

SDG&E Response:

For cost center 1100-0150 (E-2.1), the increase in non-labor costs is primarily due to costs relating to dues and consulting. Dues included $100,000 membership in COMPETE (an energy industry coalition) and consulting included a non-recurring contract totaling $264,000 in 2007 and $132,000 in 2008.

15. For 2008 non-labor costs were $410,000 and for 2009 costs were $142,000. Please provide a detailed explanation for the decrease in non-labor costs.

SDG&E Response:

For cost center 1100-0150 (E-2.1), the decrease in non-labor costs is primarily due to costs relating to dues and consulting. Dues decreased by $100,000 as a result of cancelling the membership in COMPETE (an energy industry coalition) and consulting costs decreased by $132,000 as a result of the expiration of the contract, both referenced in the answer to Question 14.